Full year results announcement

International Consolidated Airlines Group (IAG) today (February 26, 2021) presented Group consolidated results for the year to December 31, 2020.

COVID-19 situation and management actions:

- Passenger capacity in quarter 4 was 26.6 per cent of 2019 and for the full year was 33.5 per cent of 2019 and continues to be adversely affected by the COVID-19 pandemic, together with government restrictions and quarantine requirements
- Current passenger capacity plans for quarter 1, 2021 are for around 20 per cent of 2019 capacity, but remain uncertain and subject to review
- 969 cargo-only flights operated in quarter 4
- Additional funding of €3.4 billion secured in quarter 4, including £2.0 billion commitment from UK Export Finance finalised in February 2021 and $1.0 billion EETC for British Airways, $0.2 billion sales and leaseback transactions for Iberia and €150 million for Aer Lingus backed by the Ireland Strategic Investment Fund (ISIF), with €0.8 billion bridge financing facilities repaid
- 2020 capex reduced by €2.3 billion, from plans at the start of the year, to €1.9 billion, with €0.5 billion due to seven aircraft deliveries delayed from Q4-20 into 2021; 2021 capex expected to be lower than 2020
- British Airways reached agreement to defer €495 million of pension contributions due between September 2020 and October 2021
- British Airways reached agreement in principle over restructuring plans for cargo employees, following agreement with the other main British Airways employee groups earlier in 2020
- Group continues to focus on cost reduction, increasing the variability of its cost-base and liquidity initiatives

IAG period highlights on results:

- Fourth quarter operating loss €1,471 million (2019: operating profit €93 million), and operating loss before exceptional items €1,165 million (2019: operating profit before exceptional items €765 million)
- Operating loss for the year to December 31, 2020 €7,426 million (2019: operating profit €2,613 million), and operating loss before exceptional items €4,365 million (2019: operating profit before exceptional items €3,285 million)
- Exceptional charge before tax in the year to December 31, 2020 of €3,061 million on discontinuance of fuel and foreign exchange hedge accounting, impairment of fleet and restructuring costs; exceptional charge before tax for quarter 4 €306 million
- Loss after tax and exceptional items for the year to December 31, 2020 €6,923 million (2019: profit €1,715 million) and loss after tax before exceptional items: €4,325 million (2019: profit before exceptional items €2,387 million)
- Cash of €5,917 million at December 31, 2020 down €766 million on December 31, 2019. Committed and undrawn general and aircraft facilities were €2.14 billion, bringing total liquidity to €8.1 billion. Including €2.2 billion proceeds from the UK Export Finance (UKEF) gives total pro-forma liquidity of €10.3 billion.

Performance summary:

	Year to December 31		
Statutory results (€ million)	**2020**	2019	Higher / (lower)
Passenger revenue	**5,512**	22,468	(75.5)%
Total revenue	**7,806**	25,506	(69.4)%
Operating (loss)/profit	**(7,426)**	2,613	nm
(Loss)/profit after tax	**(6,923)**	1,715	nm
Basic (loss)/earnings per share (€ cents)[1]	**(196.2)**	56.1	nm
Cash and interest-bearing deposits	**5,917**	6,683	(11.5)%
Interest-bearing borrowings	**15,679**	14,254	10.0 %

Alternative performance measures (€ million)	**2020**	2019	Higher / (lower)
Passenger revenue before exceptional items	**5,574**	22,468	(75.2)%
Total revenue before exceptional items	**7,868**	25,506	(69.2)%
Operating (loss)/profit before exceptional items	**(4,365)**	3,285	nm
(Loss)/profit after tax before exceptional items	**(4,325)**	2,387	nm
Adjusted (loss)/earnings per share (€ cents)[1]	**(122.6)**	76.9	nm
Net debt	**9,762**	7,571	28.9 %
Net debt to EBITDA	**nm**	1.4	nm
Available seat kilometres (ASK million)	**113,195**	337,754	(66.5)%
Passenger revenue per ASK (€ cents)	**4.92**	6.65	(26.0)%
Non-fuel costs per ASK (€ cents)	**9.00**	4.80	87.7 %

For definitions refer to the Alternative performance measures section.

Cash comprises cash, cash equivalents and interest-bearing deposits.

1 The earnings per share information for 2019 has been restated to reflect the impact of the rights issue.

Luis Gallego, IAG's Chief Executive Officer, said:

"In 2020, we're reporting an operating loss of €4,365 million before exceptional items compared to an operating profit of €3,285 million in 2019. Total operating losses including exceptional items relating to fuel and currency hedges, early fleet retirement plus restructuring costs came to €7,426 million.

"Our results reflect the serious impact that COVID-19 has had on our business. We have taken effective action to preserve cash, boost liquidity and reduce our cost base. Despite this crisis, our liquidity remains strong. At 31 December, the Group's liquidity was €10.3 billion including a successful €2.7 billion capital increase and £2 billion loan commitment from UKEF. This is higher than at the start of the pandemic.

"In 2020, our capacity decreased by 66.5 per cent while our non-fuel costs went down 37.1 per cent thanks to the extraordinary effort across our business. The Group continues to reduce its cost base and increase the proportion of variable costs to better match market demand. We're transforming our business to ensure we emerge in a stronger competitive position.

"IAG Cargo's turnover increased by almost €200 million to €1.3 billion. Cargo helped to make longhaul passenger flights viable. In addition, we operated 4,003 cargo-only flights in the year.

"I would like to thank our employees across the Group for their remarkable commitment, resilience and flexibility through this crisis. They have adapted quickly to new ways of working and made big sacrifices in terms of salary and working time. Our people have played a central role in all we have achieved during these challenging times.

"The aviation industry stands with governments in putting public health at the top of the agenda. Getting people travelling again will require a clear roadmap for unwinding current restrictions when the time is right.

"We know there is pent-up demand for travel and people want to fly. Vaccinations are progressing well and global infections are going in the right direction. We're calling for international common testing standards and the introduction of digital health passes to reopen our skies safely."

Trading outlook

Given the uncertainty on the impact and duration of COVID-19, IAG is not providing profit guidance for 2021.

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This announcement contains inside information and is disclosed in accordance with the Company's obligations under the Market Abuse Regulation (EU) No 596/2014.

Steve Gunning, Chief Financial Officer

Forward-looking statements:

Certain statements included in this announcement are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements often use words such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" or other words of similar meaning. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the 'Group'), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and divestments relating to the Group and discussions of the Group's business plan. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, the effects of the COVID-19 pandemic and uncertainties about its impact and duration, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group's risk management process is set out in the Risk management and principal risk factors section in the Annual Announcement and Accounts 2019; these documents are available on www.iairgroup.com. All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section. Many of these risks are, and will be, exacerbated by the COVID-19 pandemic and any further disruption to the global airline industry and economic environment as a result.

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CONSOLIDATED INCOME STATEMENT

	Year to December 31			Three months to December 31		
€ million	**2020**	2019	Higher/ (lower)	**2020**	2019	Higher/ (lower)
Passenger revenue	**5,512**	22,468	(75.5)%	**684**	5,390	(87.3)%
Cargo revenue	**1,306**	1,117	16.9 %	**389**	292	33.2 %
Other revenue	**988**	1,921	(48.6)%	**228**	532	(57.1)%
Total revenue	**7,806**	25,506	(69.4)%	**1,301**	6,214	(79.1)%
Employee costs	**3,560**	5,634	(36.8)%	**693**	1,921	(63.9)%
Fuel, oil costs and emissions charges	**3,735**	6,021	(38.0)%	**453**	1,452	(68.8)%
Handling, catering and other operating costs	**1,340**	2,972	(54.9)%	**260**	736	(64.7)%
Landing fees and en-route charges	**918**	2,221	(58.7)%	**181**	522	(65.3)%
Engineering and other aircraft costs	**1,456**	2,092	(30.4)%	**321**	505	(36.4)%
Property, IT and other costs	**782**	811	(3.6)%	**185**	229	(19.2)%
Selling costs	**405**	1,038	(61.0)%	**65**	225	(71.1)%
Depreciation, amortisation and impairment	**2,955**	2,111	40.0 %	**620**	557	11.3 %
Currency differences	**81**	(7)	nm	**(6)**	(26)	(76.9)%
Total expenditure on operations	**15,232**	22,893	(33.5)%	**2,772**	6,121	(54.7)%
Operating (loss)/profit	**(7,426)**	2,613	nm	**(1,471)**	93	nm
Finance costs	**(670)**	(611)	9.7 %	**(167)**	(165)	1.2 %
Finance income	**41**	50	(18.0)%	**14**	17	(17.6)%
Net financing credit relating to pensions	**4**	26	(84.6)%	**-**	7	nm
Net currency retranslation credits	**245**	201	21.9 %	**62**	108	(42.6)%
Other non-operating charges	**(4)**	(4)	-	**(47)**	(54)	(13.0)%
Total net non-operating costs	**(384)**	(338)	13.6 %	**(138)**	(87)	58.6 %
(Loss)/profit before tax	**(7,810)**	2,275	nm	**(1,609)**	6	nm
Tax	**887**	(560)	nm	**253**	(105)	nm
(Loss)/profit after tax for the year	**(6,923)**	1,715	nm	**(1,356)**	(99)	nm

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ALTERNATIVE PERFORMANCE MEASURES

All figures in the tables below are before exceptional items. Refer to Alternative performance measures section for more detail.

€ million	Year to December 31 Before exceptional items 2020	2019	Higher/ (lower)[1]	Three months to December 31 Before exceptional items 2020	2019	Higher/ (lower)[1]
Passenger revenue	**5,574**	22,468	(75.2)%	**686**	5,390	(87.3)%
Cargo revenue	**1,306**	1,117	16.9 %	**389**	292	33.2 %
Other revenue	**988**	1,921	(48.6)%	**228**	532	(57.1)%
Total revenue before exceptional items	**7,868**	25,506	(69.2)%	**1,303**	6,214	(79.0)%
Employee costs	**3,247**	4,962	(34.6)%	**649**	1,249	(48.0)%
Fuel, oil costs and emissions charges	**2,041**	6,021	(66.1)%	**358**	1,452	(75.3)%
Handling, catering and other operating costs	**1,340**	2,972	(54.9)%	**260**	736	(64.7)%
Landing fees and en-route charges	**918**	2,221	(58.7)%	**181**	522	(65.3)%
Engineering and other aircraft costs	**1,348**	2,092	(35.6)%	**296**	505	(41.4)%
Property, IT and other costs	**754**	811	(7.0)%	**185**	229	(19.2)%
Selling costs	**405**	1,038	(61.0)%	**65**	225	(71.1)%
Depreciation, amortisation and impairment	**2,099**	2,111	(0.6)%	**480**	557	(13.8)%
Currency differences	**81**	(7)	nm	**(6)**	(26)	(76.9)%
Total expenditure on operations before exceptional items	**12,233**	22,221	(44.9)%	**2,468**	5,449	(54.7)%
Operating (loss)/profit before exceptional items	**(4,365)**	3,285	nm	**(1,165)**	765	nm
Finance costs	**(670)**	(611)	9.7 %	**(167)**	(165)	1.2 %
Finance income	**41**	50	(18.0)%	**14**	17	(17.6)%
Net financing credit relating to pensions	**4**	26	(84.6)%	**-**	7	nm
Net currency retranslation credits	**245**	201	21.9 %	**62**	108	(42.6)%
Other non-operating charges	**(4)**	(4)	-	**(47)**	(54)	(13.0)%
Total net non-operating costs	**(384)**	(338)	13.6 %	**(138)**	(87)	58.6 %
(Loss)/profit before tax before exceptional items	**(4,749)**	2,947	nm	**(1,303)**	678	nm
Tax	**424**	(560)	nm	**154**	(105)	nm
(Loss)/profit after tax for the year before exceptional items	**(4,325)**	2,387	nm	**(1,149)**	573	nm

Operating figures	2020[1]	2019[1]	Higher/ (lower)	2020[1]	2019[1]	Higher/ (lower)
Available seat kilometres (ASK million)	**113,195**	337,754	(66.5)%	**21,801**	82,005	(73.4)%
Revenue passenger kilometres (RPK million)	**72,262**	285,745	(74.7)%	**9,817**	69,138	(85.8)%
Seat factor (per cent)	**63.8**	84.6	(20.8)pts	**45.0**	84.3	(39.3)pts
Passenger numbers (thousands)	**31,275**	118,253	(73.6)%	**4,298**	27,805	(84.5)%
Cargo tonne kilometres (CTK million)	**3,399**	5,580	(39.1)%	**928**	1,432	(35.2)%
Sold cargo tonnes (thousands)	**444**	682	(34.9)%	**118**	175	(32.6)%
Sectors	**267,748**	775,486	(65.5)%	**48,195**	183,490	(73.7)%
Block hours (hours)	**820,983**	2,272,904	(63.9)%	**160,230**	541,874	(70.4)%
Average manpower equivalent[2]	**60,612**	66,034	(8.2)%	**53,553**	65,293	(18.0)%
Aircraft in service	**533**	598	(10.9)%			
Passenger revenue per RPK (€ cents)	**7.71**	7.86	(1.9)%	**6.99**	7.80	(10.4)%
Passenger revenue per ASK (€ cents)	**4.92**	6.65	(26.0)%	**3.15**	6.57	(52.1)%
Cargo revenue per CTK (€ cents)	**38.42**	20.02	91.9 %	**41.92**	20.39	nm
Fuel cost per ASK (€ cents)	**1.80**	1.78	1.1 %	**1.64**	1.77	(7.3)%
Non-fuel costs per ASK (€ cents)	**9.00**	4.80	87.7 %	**9.68**	4.87	nm
Total cost per ASK (€ cents)	**10.81**	6.58	64.3 %	**11.32**	6.64	70.4 %

1 Financial ratios are before exceptional items. Refer to Alternative performance measures section for detail.
2 Included in the average manpower equivalent are staff on furlough, wage support and equivalent schemes, including the Temporary Redundancy Plan arrangements in Spain.

Structure of Financial Review

Due to the unprecedented impact of COVID-19 and governments' responses, many of the usual variance analysis and measures are significantly less meaningful than in previous years and in some cases measures used previously no longer provide relevant insight into understanding the performance of the Group. As a consequence, unlike in prior years, in this review there is no detail on industry growth rates and GDP by market, as in 2020 the main drivers of capacity and revenue were COVID-19 and the related governmental travel bans and restrictions, rather than broader economic factors. This review, therefore, is structured to provide detail about the impact of COVID-19 on the Group, including the measures the Group has taken to mitigate the financial impact of the pandemic. Where variances exceed 100 per cent they have been substituted with 'nm' for 'not meaningful' and the absolute values are shown.

COVID-19 impact and IAG's response

The main impact of COVID-19 materialised as a significant drop in the demand for passenger flights, linked to both the pandemic itself and the travel restrictions introduced by national governments, which changed many times through the year, normally with no or very short notice, thereby creating uncertainty for customers.

As a result of the significantly reduced flying programme, aircraft had to be temporarily grounded, with some retired early.
Jet fuel consumption was significantly lower than that on which the Group's hedging programme was based, leading to the discontinuation of hedge accounting for the related derivative financial instruments. In addition, the commodity price of jet fuel fell sharply, leading to significant losses related to the hedging programme.

The Group acted quickly to mitigate the impact of COVID-19 on its liquidity and results, through reductions in operating and capital expenditure, together with working capital initiatives and additional funding. The success of these measures was recognised by all three credit rating agencies, however, the severity of the deterioration in operating conditions resulted in successive downgrading of both IAG's and British Airways' credit ratings to below investment grade. The main measures taken to mitigate the impact of COVID-19 on the Group are shown opposite and reviewed in further detail below.

Key COVID-19 mitigations

Demand and capacity	Passenger capacity 66.5% lower than 2019 Additional cargo flights, including for essential equipment and supplies
Fleet reductions	Temporary grounding and parking of aircraft Early retirement of aircraft, including British Airways Boeing 747-400s and Iberia Airbus A340-600s, plus lease returns
Operating costs	Pay cuts, wage support, furlough and temporary reductions in hours worked and employee numbers Restructuring in British Airways and Aer Lingus, with increased flexibility Non-essential discretionary spend reduced Negotiated price reductions for supplier costs
Capital expenditure	Deferral of delivery of 68 aircraft Reduction in other capital expenditure; cyber spend retained
Working capital	2019 final dividend proposal withdrawn and no 2020 dividend Reduction in trade receivables Impact of reduction in bookings for future travel mitigated by customers opting to take vouchers in lieu of cash refunds With agreement, deferred supplier payments treasury settlements and lease payments American Express loyalty contract renewal, with significant pre-payment Accelerated tax refunds from 2021 to 2020 and deferral of UK HMRC payments Deferred UK and US pension contributions
Funding	Aircraft financed throughout year (sale and leaseback and new €1 billion EETC facility) British Airways Revolving Credit Facility extended by one year; other credit lines secured €328 million commercial paper issued under UK's CCFF €1 billion debt through ICO-backed loans in Spain €75 million debt through ISIF-backed loans in Ireland, potential for further €75 million £2 billion UK Export Finance loan agreed €2.7 billion equity increase

Demand and capacity

IAG capacity

In 2020, all of IAG's airlines significantly reduced passenger capacity, with total Group capacity, measured in Available seat kilometres (ASKs), down 66.5 per cent versus 2019. The early months of the year started in line with the Group's plans approved by the Board in December 2019, aside from a limited COVID-19 impact mainly in the Asia Pacific region with suspension of services to China at the end of January and other capacity reductions across the region. Passenger capacity was 1.4 per cent higher than 2019 in January and 2.9 per cent higher in February. From late February, as the virus spread across the globe, many governments placed significant restrictions on the movement of people and on travel across international borders. This led to the cancellation of all flights to, from and within Italy and extensive reductions across the whole network, with capacity in the first quarter down 10.5 per cent on 2019.

In the second quarter, due to the impact of the virus worldwide and the associated travel and border restrictions applying in most countries, the Group was only able to operate a skeleton passenger schedule, with capacity operated only 5 per cent of that operated in the same quarter 2019. The third quarter showed improvement and additional capacity was introduced, mainly driven by leisure demand and for those visiting friends and relatives (VFR); however, capacity was still down 78.6 per cent on the previous year. Where travel restrictions were removed the Group saw a strong level of travel demand from customers. Plans to increase capacity steadily during the fourth quarter had to be revised, as a second wave of infections swept across Europe and governments re-imposed lockdowns and travel restrictions. Capacity for the fourth quarter was down 73.4 per cent.

The IAG passenger load factor was down 20.8 points from 2019 to 63.8 points, also impacted by travel restrictions, which changed frequently, together with low demand and a higher than normal level of passengers not checking in for flights that were still operating ('noshows'). One consequence of the reduction in passenger capacity across the industry was a reduction in hold space available for cargo purposes, leading to reduced overall cargo supply and a more favourable cargo yield environment than in the previous year.

IAG capacity

Year to December 31, 2020	ASKs higher/(lower) vly	Passenger load factor	Higher/ (lower)
Domestic	(49.8)%	71.0	(16.2) pts
Europe	(70.5)%	64.6	(19.0) pts
North America	(69.3)%	53.2	(30.9) pts
Latin America and Caribbean	(64.3)%	72.7	(13.7) pts
Africa, Middle East and South Asia	(61.4)%	67.2	(15.8) pts
Asia Pacific	(70.7)%	61.3	(24.5) pts
Total network	(66.5)%	63.8	(20.8) pts

Domestic and Europe

Together, IAG's Domestic and European markets continue to represent the Group's largest region. However, capacity across both was, and continues to be, significantly impacted by the travel restrictions and quarantines imposed by European governments.

Capacity in IAG's Domestic markets decreased by 49.8 per cent versus 2019. British Airways' capacity reflected demand from UK holidaymakers avoiding overseas destinations subject to quarantine restrictions, Scottish routes re-opened in quarter 2 and a new route to Newquay launched in the summer. Vueling focused its operations on connecting the Spanish peninsula with the Canary and Balearic Islands and Iberia maintained similar Domestic routes for connectivity. Aer Lingus' route between London and Belfast benefitted from UK citizens opting for domestic holidays, with load factors reaching 70 per cent in August. Passenger load factor in the region remained above 70 per cent as Spanish and UK government travel restrictions and quarantine rules prompted an increase in travellers opting for holidays in their home country.

The Group's capacity in Europe decreased 70.5 per cent year on year. As the COVID-19 outbreak started to spread, Vueling limited its operations outside of Spain as demand remained weak throughout 2020. Iberia maintained minimum operations to keep major European cities, including London, Paris and Madrid, connected in quarter 2 and expanded operations in quarter 3 to meet summer leisure demand. In quarter 3 British Airways had a good performance throughout the summer on the limited number of routes operated to destinations included on the UK Government's 'Travel Corridor' list. Aer Lingus' European operations were limited by the Irish government's 'Green List', which severely restricted travel and discouraged Irish citizens from non-essential travel. LEVEL's operations in Vienna and Amsterdam ceased on June 19, 2020.

North America

IAG's North American market accounts for almost 30 per cent of the Group's ASKs. The region's capacity increase at the beginning of 2020 reflected the full-year impact of routes launched during 2019, including British Airways' route to Pittsburgh, Aer Lingus' route to Minneapolis and LEVEL's route to New York, JFK. Following the outbreak of COVID-19, a much-reduced flight schedule to North America operated, primarily for cargo purposes, with British Airways and Aer Lingus operating regular flights to New York, Boston, Washington and Chicago. Iberia resumed operations to Chicago in quarter 3 and LEVEL Spain restarted its route to JFK in September. Quarter 4 benefited from increased leisure and VFR travel around the Thanksgiving and Christmas holidays, with routes to second-home markets such as Miami performing well. LEVEL France ceased operations on July 8, leading to the cancellation of its routes to Newark and Las Vegas. Passenger load factor for the region was the lowest for the Group as the United States government's COVID-19 restrictions allowed only residents and nationals to enter the country.

Latin America and Caribbean (LACAR)

IAG's capacity in LACAR increased in January and February driven by Iberia's new route to Guayaquil, Ecuador launched in 2019 and additional frequencies on routes to Colombia, Peru and Brazil. LEVEL's growth reflected the annualisation of new routes launched in 2019 to Santiago de Chile and additional frequencies on routes to the French Caribbean. However, following the initial outbreak of COVID-19, LACAR operations were extremely limited, due to strict government restrictions and high COVID-19 case numbers impacting the region, with regular operations only starting to resume in quarter 3. British Airways operated a number of charter flights to the Caribbean in quarter 2 and restarted regular service to a number of destinations in quarter 3. In quarter 4 flights operated regularly to São Paulo, Antigua and Saint Lucia, benefiting from leisure travel over the holiday period. In quarter 2, Iberia's operations were mainly for repatriation and cargo purposes and routes to Panama City, Santo Domingo and Quito resumed in quarter 3. Quarter 4 benefited from significant VFR travel to the region with load factors to routes in Ecuador and Dominican Republic reaching over 80 per cent. LEVEL France operations to the French Caribbean ceased in July, however LEVEL Spain continues to operate and resumed limited operations to Buenos Aires in September and Santiago de Chile in December. Passenger load factor in this region was the highest for the Group, down only 13.7 points on 2019 to 72.7 per cent.

Africa, Middle East and South Asia (AMESA)

AMESA capacity increased in January and February primarily due to new routes launched in 2019 by British Airways, including to Dammam via Bahrain and Islamabad. Following the outbreak of COVID-19 and initial lockdowns, regular operations did not restart until quarter 3 with British Airways returning to Dubai, Kenya, Israel, India and Pakistan. Iberia restarted its regular service to Dakar, Senegal in July but did not reopen regular operations to Morocco and Israel in 2020. Vueling did not restart any regular operations to the region in 2020. Passenger load factor for the region was down 15.8 points versus 2019 to 67.2 per cent.

Asia Pacific

In the Asia Pacific region, the Group's capacity was down significantly on 2019 and it was the first region to see cancellations as a result of the COVID-19 outbreak in late January. British Airways, Iberia and Aer Lingus all operated government charter flights to the region, carrying back Personal Protective Equipment (PPE) during the first wave of the pandemic. Since then, there has been a steady return to flying with British Airways reopening routes to China, Hong Kong and Tokyo, although strict travel restrictions remain in place limiting capacity, with China only allowing international carriers to operate one flight per week on a single route. Passenger load factor was down 24.5 points to 61.3 per cent on a capacity decrease of 70.7 per cent.

Basis of preparation

Based on the extensive modelling the Group has undertaken in light of the COVID-19 pandemic, the Directors have a reasonable expectation that the Group has sufficient liquidity for the going concern assessment period to March 31, 2022, and accordingly the Directors have adopted the going concern basis in preparing the consolidated financial statements.

There are a number of significant factors related to COVID-19 that are outside of the control of the Group, including the status and impact of the pandemic worldwide, including the emergence of new variants of the virus and potential resurgence of existing strains of the virus; the availability of vaccines worldwide, together with the speed at which they are deployed; the efficacy of those vaccines; and the restrictions imposed by national governments in respect of the freedom of movement and travel. Due to the uncertainty that these factors create, the Group is not able to provide certainty that there could not be more severe downside scenarios than those it has considered, including the sensitivities it has considered in relation to factors such as the impact on yield, capacity operated, cost mitigations achieved and the availability of aircraft financing to offset capital expenditure. In the event that such a scenario were to occur, the Group would need to implement additional mitigation measures and would likely need to secure additional funding over and above that which is contractually committed at February 25, 2021. The Group has been successful in raising financing since the outbreak of COVID-19, having financed all aircraft deliveries in 2020, secured an additional €3.6 billion of non-aircraft debt and having completed an equity increase of €2.7 billion in September 2020, which was fully subscribed. However, the Group cannot provide certainty that it will be able to secure additional funding, if required, in the event that a more severe downside scenario than those it has considered were to occur. Refer to note 2 of the consolidated financial statements for further information.

Summary

In light of the significant reduction in the Group's passenger capacity linked to the impact of COVID-19, the year saw a significant reduction in passenger revenue. The Group took action to mitigate the impact through exploiting cargo opportunities and by reducing costs. The Group also recognised exceptional charges for restructuring costs, the discontinuance of hedge accounting in relation to fuel and foreign currency derivatives and the impairment of aircraft and related assets either retired or stood down early. The net result was an operating loss for the year of €7,426 million, versus an operating profit in 2019 of €2,613 million. The reported loss after tax for the year was €6,923 million, versus a profit of €1,715 million in 2019.

(Loss)/profit for the year

Statutory results € million	**2020**	2019	Higher/ (lower) vly
Operating (loss)/profit	**(7,426)**	2,613	(10,039)
(Loss)/profit before tax	**(7,810)**	2,275	(10,085)
(Loss)/profit after tax	**(6,923)**	1,715	(8,638)

The Group uses Alternative Performance Measures (APMs) to analyse the underlying results of the business excluding exceptional items, which are those that in management's view need to be separately disclosed by virtue of their size or incidence in understanding the entity's financial performance. A summary of the exceptional items relating to 2019 and 2020 is given below, with more detail in the Alternative Performance Measures section, including the exceptional items by operating company.

Summary of exceptional items

Income statement line		Exceptional item description 2020[1]	(Charge)/credit to the Income statement € million 2019
Passenger revenue	Discontinuation of hedge accounting for foreign currency derivatives for revenue	(62)	–
Employee costs	Non-cash increase in liabilities in association with pension scheme settlement	–	(672)
Employee costs	Restructuring costs	(313)	–
Fuel, oil and emissions costs	Discontinuation of hedge accounting for fuel and associated foreign exchange derivatives	(1,694)	–
Engineering and other aircraft costs	Inventory write-down and charge in relation to contractual lease provisions	(108)	–
Property, IT and other costs	Legal costs associated with employee restructuring programmes	(6)	–
Property, IT and other costs	Settlement provision in relation to the theft of customer data at British Airways in 2018	(22)	–
Depreciation, amortisation and impairment	Impairment of fleet and associated assets	(856)	–
Tax	Tax on exceptional items	463	–

1 In 2020 all items were associated with the impact of COVID-19, except the settlement provision in relation to the theft of customer data at British Airways in 2018.

Excluding the impact of the exceptional items shown above, the operating loss for 2020 was €4,365 million, down €7,650 million from the operating profit of €3,285 million generated in 2019. The loss after tax and before exceptional items was €4,325 million, versus a profit after tax and before exceptional items of €2,387 million in 2019.

Alternative Performance Measures (before exceptional items), € million	2020	2019	Higher/ (lower) vly
Operating (loss)/profit	**(4,365)**	3,285	(7,650)
(Loss)/profit before tax	**(4,749)**	2,947	(7,696)
(Loss)/profit after tax	**(4,325)**	2,387	(6,712)

Revenue

€ million	2020	Higher/ (lower) vly	Higher/ (lower) vly
Passenger revenue[1]	**5,512**	(16,956)	(75.5)%
Cargo revenue	**1,306**	189	16.9%
Other revenue	**988**	(933)	(48.6)%
Total revenue	**7,806**	(17,700)	(69.4)%

1 Includes an exceptional charge of €62 million (2019: nil) related to discontinued hedge accounting of revenue foreign currency derivatives. Further information is given in the Alternative Performance Measures section.

Passenger revenue

The overall impact of the significantly reduced schedule and lower passenger load factors described above was a decrease in passenger revenue of €16,956 million, or 75.5 per cent versus 2019.

Cargo revenue

2020 was a record year for cargo revenue, as additional flights were operated to transport essential equipment and supplies, assisted by a dedicated charter team to develop solutions for customers and governments, recognising that IAG Cargo does not operate a dedicated freighter fleet. The cargo business identified markets most impacted by the reduction in air cargo supply, where demand would not be met by traditional freighter services and that could support the yields required to fly cargo-only services using passenger aircraft. The focus of cargo-only flying was to ensure a cash-positive contribution was achieved for the airlines and the Group. Cargo opportunities were increased by removing seats from five passenger aircraft and obtaining regulatory approvals to load cargo in the passenger cabins. During the year 4,003 additional cargo-driven flights were operated; these additional flights are not included in the passenger capacity figures for ASKs, as seats were not offered for general sale to passengers.

The overall impact of the cargo operation, including the additional cargo-driven flights linked to the COVID-19 response, was an increase in Cargo revenue of €189 million, or 16.9 per cent versus 2019.

Other revenue

The largest Other revenue streams for the Group in normal times are Iberia's Maintenance, Repair and Overhaul (MRO) and Handling businesses, together with BA Holidays. Revenue from these activities was also significantly reduced versus the previous year, linked to lower activity levels associated with COVID-19. In the case of MRO and Handling, these revenues were affected by reduced demand following lower flight schedules and significant fleet reductions across the airline industry and hence lower maintenance requirements, although the reductions were less than the reduction in the level of passenger capacity. The BA Holidays business is closely linked to the passenger business and was therefore impacted by the significantly reduced passenger operation. Loyalty revenues were also down on 2019, as the lower flying programme led to a reduced number of redemptions of Avios and a reduced volume of the sale of Avios to third parties, linked to the reduced level of expenditure on travel. Other ancillary revenue streams were also affected by the impact of the pandemic, including handling recoveries in Terminal 7 at New York, JFK. In total Other revenue was down €933 million, or 48.6 per cent versus 2019.

Fleet reductions

The Group anticipates that as a result of COVID-19, demand will continue to be supressed for several years and will not reach levels seen in 2019 until at least 2023. The Group, therefore, took steps to reduce its aircraft fleet and the associated cost of maintenance.

During 2020, a significant number of aircraft were temporarily grounded and parked, with the limited operations focused on flying the more fuel-efficient new-generation aircraft, where possible. The Group also decided to accelerate the retirement of its older, four-engined longhaul fleet. British Airways retired its fleet of 32 Boeing 747-400 aircraft, and Iberia retired its fleet of 15 Airbus A340-600 aircraft. In addition to these retirements, 37 aircraft were stood down earlier than planned, either pending disposal or return to lessors, bringing the reductions in fleet numbers to 84 aircraft. However, the Group also took delivery of 34 aircraft during the year, detailed in the Capital expenditure section below.

The early retirement and stand-down of these aircraft led to an exceptional impairment charge of €837 million; there was also a €108 million exceptional charge related to a write-down of inventory and recognition of contractual end-of-lease provisions.

Number of fleet

Number of fleet in-service	2020	2019	Higher/ (lower) vly
Shorthaul	**367**	394	(6.9)%
Longhaul	**166**	204	(18.6)%
	533	598	(10.9)%

241 of the 533 "in-service" fleet at the end of the year were temporarily grounded. In addition to the in-service fleet, there were a further 71 aircraft held by the Group pending disposal or lease return and 1 new aircraft that had been delivered to the Group and paid for but had not yet entered service.

Operating costs

Due to the reduced flying programme and significantly reduced revenues, the Group took action to offset the financial impact by reducing costs, together with measures to increase the variability and flexibility in its cost base. Total expenditure on operations before exceptional items fell from €22,221 million in 2019 to €12,233 million in 2020, a 44.9 per cent reduction, compared to the reduction in passenger capacity, measured in ASKs, of 66.5 per cent. The reduction in operating costs before exceptional items and excluding depreciation, amortisation and impairment was 49.6 per cent.

Employee costs

€ million	2020	Higher/ (lower) vly	Higher/ (lower) vly
Employee costs[1]	**3,560**	(2,074)	(36.8)%

1 Includes an exceptional charge of €313 million related to the restructuring programmes in British Airways, Aer Lingus, Iberia and LEVEL, undertaken to resize the Group as a consequence of COVID-19. A non-cash exceptional charge of €672 million in 2019 related to the impact of a settlement between British Airways and its oldest pension scheme, APS. Further information is given in the Alternative Performance Measures section.

National governments provided wage or job support mechanisms in each of IAG's main home markets and the operating companies used these facilities to reduce employee numbers and costs, with the direct impact of these mechanisms reducing employee costs by approximately €730 million. Other arrangements were agreed for staff not directly covered by such schemes and so costs were reduced at all levels in the organisation, with the Management Committee and Board members also seeing reductions as outlined in the Report of the Remuneration Committee.

In addition to temporary measures, both British Airways and Aer Lingus implemented longer-term restructuring, consistent with the expected multi-year impact of COVID-19 on demand. The restructuring measures will result in reductions at British Airways of approximately 10,000 employees (or one quarter of the workforce at June 2020) and 500 at Aer Lingus (or approximately 10 per cent of the workforce at June 2020); the substantial majority of employees affected had left the Group by the end of 2020. British Airways has also introduced more flexibility in certain operational areas, in order to be able to better adjust employee numbers and cost to the level of capacity operated. Iberia also made reductions in management numbers, together with restructuring related to staff outside of Spain. Iberia and Vueling made use of the temporary redundancy arrangements in Spain under an *Expedientes de Regulación Temporal de Empleo* ('ERTE') arrangement and hence did not incur restructuring costs in respect of non-managerial employees in Spain. The closure of LEVEL France led to an exceptional provision of €28 million for the associated employee restructuring costs. The total exceptional employee restructuring charges for the year included within Employee costs were €313 million.

In addition to the wage and pay support schemes and restructuring programmes outlined above, other measures were taken to further reduce employee costs, such as offering unpaid leave, the removal of bonuses and reduced non-mandatory training. Measures were taken at all levels across the Group.

Employee costs for the year decreased by €2,074 million, or 36.8 per cent compared with 2019; excluding exceptional items, employee costs reduced by €1,715 million, or 34.6 per cent.

Fuel, oil and emissions costs

€ million	2020	Higher/ (lower) vly	Higher/ (lower) vly
Fuel, oil costs and emissions charges[1]	**3,735**	(2,286)	(38.0)%

1 Includes an exceptional charge of €1,694 million (2019: nil) related to discontinuation of hedge accounting for fuel derivatives and fuel foreign currency derivatives as a result of the impact of COVID-19. Further information is given in the Alternative Performance Measures section.

Commodity fuel prices fell dramatically following the spread of COVID-19 globally in March, with prices down approximately 75 per cent on levels experienced immediately beforehand. Although there was a partial recovery during the remainder of the year, prices were still at levels much lower than 2019.

The Group seeks to reduce the impact of volatile commodity prices by hedging prices up to three years in advance. The hedging programme is based on expected levels of activity, with the proportion hedged in line with treasury policies agreed with the Board.

In 2020, due to the rapid fall in the commodity fuel price, the Group has experienced losses on its fuel hedging derivatives. These hedging losses would have normally been offset against the reduced cost of physical fuel purchased. However, the impact of COVID-19 has led to a significant reduction in the requirement to purchase jet fuel, due to the significantly reduced flying programme. As a consequence, the Group had derivative contracts for which there was no corresponding purchase of jet fuel, leading to discontinuance of hedge accounting for these derivatives, with the mark-to-market loss of €1,781 million recognised as an exceptional charge in the Income statement. There was also a related mark-to-market gain recognised in the Income statement related to foreign exchange hedging of €87 million, bringing the net exceptional charge to €1,694 million for the year. These values are calculated based on the fuel curve and foreign exchange rates as at December 31, 2020 and the anticipated capacity to be operated for 2021 and 2022.

The Group continued to benefit from reduced fuel consumption associated with the investment in new fleet, together with the early retirement of older aircraft. Overall fuel, oil and emissions charges were down €2,286 million, or 38.0 per cent versus 2019; excluding the exceptional net overhedging charge fuel, oil and emissions charges were down €3,980 million, or 66.1 per cent.

Supplier costs

€ million	2020	Higher/ (lower) vly	Higher/ (lower) vly
Handling, catering and other operating costs	**1,340**	(1,632)	(54.9)%
Landing fees and en-route charges	**918**	(1,303)	(58.7)%
Engineering and other aircraft costs[1]	**1,456**	(636)	(30.4)%
Property, IT and other costs[2]	**782**	(29)	(3.6)%
Selling costs	**405**	(633)	(61.0)%
Currency differences	**81**	88	nm

1 Includes an exceptional charge of €108 million (2019: nil) related to an inventory write-down and a charge relating to contractual lease provisions. Further information is given in the Alternative Performance Measures section.
2 Includes an exceptional charge of €28 million (2019: nil) related to the penalty notice issued by the UK Information Commissioner's Office for the theft of customer data at British Airways in 2018 (€22 million) and to the legal costs of the Group-wide restructuring programme undertaken in the year (€6 million). Further information is given in the Alternative Performance Measures section.

Handling, catering and other operating costs were down €1,632 million on 2019, or 54.9 per cent. In addition to volume-linked savings, including the reduced product costs associated with lower BA Holidays revenues, costs were reduced by management actions, such as the closure of airport lounges and by the necessary reduction in catering, linked to measures to reduce the risk of transmission of COVID-19 to customers and staff.

Landing fees and en-route charges were down €1,303 million on 2019, or 58.7 per cent. Costs reduced in line with the lower flying programme, although there was some adverse impact from lost volume rebates and equivalent arrangements, including at London Heathrow, together with price increases from Eurocontrol.

Engineering and other aircraft costs reduced due to the reduction in flights operated, together with the reduction in Iberia's external MRO business and other savings in the wake of COVID-19. Engineering and other aircraft costs were down €636 million, or 30.4 per cent; excluding the exceptional charge, due to the write-down of inventory and provision for lease return costs, Engineering and other aircraft costs were down €744 million, or 35.6 per cent.

Property, IT and other costs were down €29 million, or 3.6 per cent, on 2019, including the final penalty notice issued by the UK Information Commissioner's Office regarding the theft of customer data at British Airways in 2018; excluding the cost of this final penalty notice Property, IT and other costs were down €57 million or 7.0 per cent. Cost savings associated with the lower volume of IT transactions and reduced energy usage and rates were partly offset by the costs associated with IT infrastructure investment. The 2019 base included income from a settlement in respect of a British Airways data centre issue in 2017.

Selling costs reduced with the significant drop in passenger revenue and lower forward bookings, together with a reduction in marketing and other discretionary expenditure in light of COVID-19. Selling costs were €633 million lower than the previous year, or 61.0 per cent.

Ownership costs

Ownership costs include depreciation, amortisation and impairment of tangible and intangible assets. The Group adopted IFRS 16 'Leases' from January 1, 2019, meaning right of use assets in respect of leases are included with the Balance sheet and associated depreciation of those right of use assets is included within depreciation.

€ million	2020	Higher/ (lower) vly	Higher/ (lower) vly
Ownership costs[1]	**2,955**	844	40.0%

1 Includes an exceptional charge of €856 million (2019: nil) related to the impairment of fleet assets and other assets. Further information is given in the Alternative Performance Measures section.

The increase in ownership costs of €844 million, or 40.0 per cent, is driven by the €856 million impairment charge in respect of the retirement of the British Airways Boeing 747-400 and Iberia Airbus A340-600 fleets, and related other assets, together with the early stand down or lease return of 37 other aircraft. Excluding these items, ownership costs would have been at a similar level to 2019.

Exchange rate impact

Exchange rate impacts are calculated by retranslating current year results at prior year exchange rates. The reported revenues and expenditures are impacted by the translation of currencies other than euro to the Group's reporting currency of euro, primarily British Airways and IAG Loyalty. From a transaction perspective, the Group performance is impacted by the fluctuation of exchange rates, primarily exposure to the pound sterling, euro and US dollar. The Group typically generates a surplus in most currencies in which it does business, except the US dollar, for which capital expenditure, debt repayments and fuel purchases typically create a deficit which is managed and partially hedged. The Group hedges its economic exposure from transacting in foreign currencies but does not hedge the translation impact of reporting in euro.

Overall, in 2020 the Group operating loss before exceptional items was increased by €5 million due to adverse exchange rate impacts.

Exchange impact before exceptional items

€ million Favourable/(adverse)	2020 Translation impact	 Transaction impact	 Total exchange impact
Total exchange impact on revenue	**84**	**33**	**117**
Total exchange impact on operating expenditures	**(31)**	**(91)**	**(122)**
Total exchange impact on operating loss	**53**	**(58)**	**(5)**

€ million Favourable/(adverse)	2019 Translation impact	 Transaction impact	 Total exchange impact
Total exchange impact on revenue	68	325	393
Total exchange impact on operating expenditures	(58)	(268)	(326)
Total exchange impact on operating profit	10	57	67

The exchange rates for the Group were as follows:

	2020	2019	Higher/ (lower) vly
Translation – Balance sheet			
£ to €	**1.10**	1.18	(6.8%)
Translation – Income statement (weighted average)			
£ to €	**1.13**	1.13	0.0%
Transaction (weighted average)			
£ to €	**1.13**	1.13	0.0%
€ to $	**1.13**	1.12	0.9%
£ to $	**1.27**	1.27	0.0%

Total net non operating costs

Total net non-operating costs for the year were €384 million, versus €338 million in 2019. The main driver of the increase was finance costs up €59 million (9.7 per cent), related to interest on new debt and arrangement costs. In both years the finance costs were partially offset by net currency retranslation credits, mainly related to the retranslation of US dollar balances and related derivate financial instruments.

Tax

The tax credit for the period was €887 million (2019: tax charge of €560 million), with an effective tax rate (credit) for the Group of 11 per cent (2019: 25 per cent charge). The substantial majority of the Group's activities are taxed where the main operations are based, in the UK, Spain and Ireland, with corporation tax rates during 2020 of 19 per cent, 25 per cent and 12.5 per cent respectively, which results in an expected effective tax rate of 21 per cent. The difference between the expected effective tax rate of 21 per cent and the actual effective tax rate of 11 per cent was firstly due to not recognising tax credits in respect of certain current and prior period losses and deductible temporary differences; those losses and deductible temporary differences relate principally to Iberia, Openskies and Vueling. In addition, the UK Government retained its rate of corporation tax rate at 19 per cent from April 1, 2020, in place of the reduction to 17 per cent that had previously been enacted into law.

Operating profit and loss performance of operating companies

Post-exceptional items[1]	British Airways £ million 2020	Higher/ (lower)	*Higher/ (lower)*	Aer Lingus € million 2020	Higher/ (lower)	*Higher/ (lower)*	Iberia € million 2020	Higher/ (lower)	*Higher/ (lower)*	Vueling € million 2020	Higher/ (lower)	*Higher/ (lower)*
Passenger revenue	2,840	(9,059)	(76)%	379	(1,681)	(82)%	1,160	(2,893)	(71)%	569	(1,868)	(77)%
Cargo revenue	890	179	25%	88	34	63%	240	(51)	(18)%	–	–	–
Other revenue	217	(463)	(68)%	–	(11)	-	859	(442)	(34)%	5	(13)	(72)%
Total revenue	**3,947**	(9,343)	(70)%	**467**	(1,658)	(78)%	**2,259**	(3,386)	(60)%	**574**	(1,881)	(77)%
Fuel, oil costs and emissions charges	1,996	(1,241)	(38)%	286	(174)	(38)%	716	(486)	(40)%	314	(234)	(43)%
Employee costs	1,916	(1,196)	(38)%	217	(188)	(46)%	798	(366)	(31)%	196	(105)	(35)%
Supplier costs	2,440	(2,057)	(46)%	370	(484)	(57)%	1,544	(848)	(35)%	594	(522)	(47)%
Ownership costs[2]	1,475	369	33%	157	27	21%	612	222	57%	345	95	38%
Operating loss	**(3,880)**	(5,218)	nm	**(563)**	(839)	nm	**(1,411)**	(1,908)	nm	**(875)**	(1,115)	nm
Operating margin	*(98.3)%*	*(108.4) pts*		*(120.4)%*	*(133.4) pts*		*(62.5)%*	*(71.3) pts*		*(152.3)%*	*(162.1) pts*	

Alternative Performance Measures[1]	British Airways £ million 2020	Higher/ (lower)	*Higher/ (lower)*	Aer Lingus € million 2020	Higher/ (lower)	*Higher/ (lower)*	Iberia € million 2020	Higher/ (lower)	*Higher/ (lower)*	Vueling € million 2020	Higher/ (lower)	*Higher/ (lower)*
Passenger revenue	2,894	(9,005)	(76)%	382	(1,678)	(81)%	1,160	(2,893)	(71)%	569	(1,868)	(77)%
Cargo revenue	890	179	25%	88	34	63%	240	(51)	(18)%	–	–	–
Other revenue	217	(463)	(68)%	–	(11)	-	859	(442)	(34)%	5	(13)	(72)%
Total revenue before exceptional items	**4,001**	(9,289)	(70)%	**470**	(1,655)	(78)%	**2,259**	(3,386)	(60)%	**574**	(1,881)	(77)%
Fuel, oil costs and emissions charges	1,159	(2,078)	(64)%	142	(318)	(69)%	372	(830)	(69)%	160	(388)	(71)%
Employee costs	1,695	(834)	(33)%	193	(212)	(52)%	784	(380)	(33)%	196	(105)	(35)%
Supplier costs	2,398	(2,099)	(47)%	363	(491)	(57)%	1,492	(900)	(38)%	564	(552)	(49)%
Ownership costs[2]	1,076	(30)	(3)%	133	3	2%	370	(20)	(5)%	277	27	11%
Operating loss before exceptional items	**(2,327)**	(4,248)	nm	**(361)**	(637)	nm	**(759)**	(1,256)	nm	**(623)**	(863)	nm
Operating margin before exceptional items	*(58.2)%*	*(72.7) pts*		*(76.8)%*	*(89.8) pts*		*(33.6)%*	*(42.4) pts*		*(108.5)%*	*(118.3) pts*	

1 Further detail is provided in the Alternative Performance Measures section.
2 Ownership costs reflects Depreciation, amortisation and impairment.

Review by operating company

The results after exceptional items for each operating company are shown previously, along with the Alternative Performance Measures, which exclude exceptional items, as detailed in the Alternative Performance Measures section.

The results for all operating companies were significantly impacted by COVID-19 in 2020 and the main items driving the results of the four main operating companies are therefore common, many of which have been covered above. All four of the operating companies saw significant reductions in passenger revenue and took measures to reduce operating costs and preserve liquidity. British Airways, Iberia and Aer Lingus benefited from additional cargo flights and higher cargo yields, with both British Airways and Aer Lingus generating higher cargo revenue than in 2019.

Employee costs fell due to the use of wage support or similar schemes, particularly in the UK and Ireland, with temporary redundancy programmes under the ERTE arrangement operating in Spain. British Airways and Aer Lingus undertook restructuring programmes during the year, with Iberia also making reductions in management numbers and reductions outside of Spain.

The operating companies all operate similar hedging programmes, under a centrally agreed Group policy, which resulted in overhedging of jet fuel purchases and related currency transactions. Excluding the impact of overhedging, fuel costs fell in line with the capacity reductions, with a small benefit from the efficiency of new-generation aircraft and a reduced effective price net of hedging.

Supplier costs also fell significantly at each of the operating companies, reflecting the impact of volume-related savings, linked to the significantly lower flying programmes, together with the negotiated cost-reduction initiatives and reductions in discretionary expenditure.

Ownership costs were impacted by the impairment of aircraft and related assets in each operating company, including the early retirement of the Boeing 747-400 fleet at British Airways and the Airbus A340-600 fleet at Iberia, together with other aircraft permanently stood down pending disposal or return to lessors.

Operating margins are much less meaningful than in previous years, given the significant impact of COVID-19, but are included for completeness; each main operating company saw a substantial operating loss in 2020, with cost reductions only able to mitigate part of the fall in revenues.

Capital expenditure

In response to COVID-19, the Group has agreed to defer 68 aircraft scheduled for delivery over the period 2020 to 2022 and to re-schedule certain pre-delivery payments to aircraft manufacturers. In November 2019, as announced at the IAG Capital Markets Day, it was anticipated capital expenditure would total €14.2 billion for the period 2020 to 2022. With aircraft deferrals and savings in other capital expenditure, linked to the response to COVID-19, the Group now expects capital expenditure over that period to be below €7 billion. Further deferrals are under discussion with the aircraft manufacturers.

The Group did not enter into any new agreements to acquire additional aircraft in 2020, either from aircraft manufacturers or lessors.

In 2020 the Group took delivery of 34 aircraft, with 19 for British Airways, eight for Iberia, three for Vueling and four for Aer Lingus. As at December 31, 2020 one of these aircraft had yet to enter service and is therefore not included in the ‘in service’ fleet shown elsewhere in this report. The liquidity impact of the aircraft deliveries in the year was cash-positive, as the value of financing raised exceeded the final delivery payments made to the aircraft manufacturers, due to pre-delivery payments for those aircraft made in previous years, with total aircraft financing proceeds in the year of €2.2 billion.

Aircraft deliveries	**2020**	2019
Airbus A320 family	**15**	32
Airbus A330	**2**	3
Airbus A350	**7**	8
Boeing 777-300	**4**	–
Boeing 787-10	**2**	–
Embraer E190	**4**	2
Total	**34**	45

Capital expenditure for the year was reduced to €1.9 billion, more than 50 per cent down on the €4.2 billion anticipated for 2020 in November 2019. Capital expenditure was also lower than the revised projection of €2.7 billion for the year given in July 2020, mainly due to further aircraft delays, moving approximately €0.5 billion of aircraft delivery payments and associated financing into 2021.

Despite the reductions made to discretionary capital projects, the Group maintained its programme of cyber-related investments.

Capital commitments

Capital expenditure authorised and contracted for at December 31, 2020 amounted to €10,545 million (2019: €12,830 million). Most of this commitment is denominated in US dollars and includes commitments until 2027 for 121 aircraft including 64 aircraft from the Airbus A320 family, 10 Boeing 787s, 18 Boeing 777s, one Airbus A330, 26 Airbus A350s and two Embraer E190.

The Group has certain rights to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at December 31, 2020.

Aircraft future deliveries at December 31	**2020**	2019
Airbus A320 family	**64**	79
Airbus A330	**1**	1
Airbus A350	**26**	33
Boeing 777-300	**–**	4
Boeing 777-9	**18**	18
Boeing 787-10	**10**	12
Embraer E190	**2**	–
Total	**121**	147

Working capital and other initiatives

The Group negotiated deferrals to supplier payments and lease payments. The Group rolled over fuel derivatives, monetised EU Emissions Trading Scheme credits and foreign currency derivatives that resulted in reduced cash outflow in 2020 of approximately €625 million; deferrals to future years account for approximately 60 per cent of this amount, with the majority due in 2021. Relief was given during the year in respect of the timing of VAT and other payments to the UK’s HMRC and to Eurocontrol for regulated overlying charges, although both had reverted to normal terms by the end of the year.

In quarter 3 a multi-year renewal was signed with American Express, including an upfront payment of approximately €830 million (£754 million), with a significant amount being for the pre-purchase of Avios.

Trade receivables were reduced significantly, falling from €2,255 million (net of the provision for expected credit losses) at December 31, 2019 to €557 million at the end of 2020. Part of the reduction was due to the contraction in activity, with lower passenger and other revenue yet to be received by the Group, but the reduction was also achieved by ensuring outstanding amounts due from customers and government agencies were paid.

Deferred revenue on ticket sales, which includes loyalty points (Avios), fell €356 million to €5,130 million at December 31, 2020; €4,657 million is included in current liabilities and €473 million within non-current liabilities, associated with the renewal of the IAG

Loyalty contract with American Express. The value of loyalty points (Avios) issued and yet to be recognised in revenue was up €0.8 billion versus 2019 at €2.7 billion, reflecting the American Express contract renewal and associated pre-payment, but sales in advance of carriage, related to passenger ticket sales, were down €1.2 billion versus 2019 at €2.4 billion. The cash impact of cancelled flights was partially mitigated by customers accepting vouchers for future travel in lieu of a cash refund, with the outstanding value of vouchers as at December 31, 2020 accounting for approximately half of the sales in advance of carriage balance.

Due to COVID-19 British Airways was eligible for refund of tax payments made to HMRC in 2019 and the Group was able to accelerate receipt into 2020, rather than 2021. Together with refunds in Ireland, the impact was to improve cash by approximately €175 million in 2020.

British Airways deferred monthly UK pension contributions that would otherwise have been due in quarter 4, 2020 to the value of €125 million, together with contributions of €375 million relating to the first three quarters of 2021. These payments are due to be added to the end of the schedule of deficit recovery contributions, which currently ends in March 2023. British Airways granted to the Trustee of NAPS security over certain property assets in respect of these deferred payments. British Airways has also agreed that it will not make dividend payments to IAG before the end of 2023 and that from 2024 dividends will be matched by a contribution to NAPS of 50 per cent of the dividend paid until the deferred contributions have been paid.

Funding and debt

IAG's long-term objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure to reduce the cost of capital and to provide sustainable returns to shareholders. In November 2018, S+P and Moody's assigned IAG with a long-term investment grade credit rating with stable outlook. Ratings (as at February 25, 2021) are: S&P: BB (3 notch decline), Moody's: Ba2 (2 notch decline), based on the status of COVID-19 and related travel restrictions, together with the expected timing of the recovery of global air traffic.

Debt and capital

The Group monitors leverage using net debt to EBITDA.

The Group has a target of net debt to EBITDA below 1.8 times.

In 2020, due to the significant impact of COVID-19, EBITDA turned negative, rendering the net debt to EBITDA ratio much less meaningful than in normal times; the calculation for 2020 results in minus 4.3 times.

Net debt

€ million	**2020**	2019	Higher / (lower)
Debt	**14,254**	12,704	1,550
Cash and cash equivalents and interest-bearing deposits	**(6,683)**	(6,274)	(409)
Net debt at January 1	**7,571**	6,430	1,141
Decrease/(increase) in cash net of exchange	**766**	(409)	1,175
Net cash outflow from repayments of borrowings and lease liabilities	**(2,514)**	(2,237)	(277)
Net cash inflow from new borrowings	**3,567**	2,286	1,281
Non-cash impact from new leases	**1,179**	1,199	(20)
Increase in net debt from financing	**2,232**	1,248	984
Exchange and other non-cash movements	**(807)**	302	(1,109)
Net debt at December 31	**9,762**	7,571	2,191

Gross debt increased by €1,425 million, principally driven by the non-aircraft debt raised by British Airways under the UK's CCFF mechanism (€328 million), loans backed by Spain's ICO of €750 million for Iberia and €260 million for Vueling, together with €75 million of debt backed by the Irish ISIF (see below). Cash fell by €766 million, leading to net debt €2,191 million higher at €9,762 million. Since the adoption of IFRS 16 from January 1, 2019 net debt includes leases for aircraft with financing arrangements formerly accounted for as operating leases.

Cash and interest-bearing deposits

The 2020 cash balance in IAG and other Group companies includes the balance of the proceeds from the capital increase retained in IAG and the net proceeds of the American Express renewal payment in IAG Loyalty.

€ million	**2020**	2019	Higher/ (lower)
British Airways	**1,389**	3,055	(1,666)
Iberia	**822**	1,121	(299)
Aer Lingus	**266**	580	(314)
Vueling	**590**	820	(230)
IAG and other Group companies	**2,850**	1,107	1,743
Cash and deposits	**5,917**	6,683	(766)

Cash and interest-bearing deposits reduced by €766 million to €5,917 million, with the significant impact of COVID-19 on profitability offset by the mitigation measures taken by the Group, including additional borrowing and the €2.7 billion capital increase.

Debt

Despite some disruption to financial markets in respect of the aviation sector, linked to the COVID-19 pandemic, the Group has been able to continue to obtain efficient funding secured against aircraft deliveries. In total 36 aircraft were financed in the year, 4 of which were delivered in 2019, and with 13 involving sale and leaseback transactions, a further 11 direct leases from lessors and 12 on finance lease arrangements. Just two of the aircraft delivered in 2020 had not been financed as at the end of the year, although sale and leaseback transactions for these were agreed and executed in February 2021.

Proceeds from sale and leaseback transactions continue to cover substantially all of the Group's aircraft purchase price. An Enhanced Equipment Trust Certificates (EETC) funding for $1,005 million (€823 million) was successfully issued and closed for British Airways in November 2020, with $577 million (€472 million) drawn down in December in the form of finance leases, with the remainder expected to be drawn in 2021, in line with aircraft deliveries. The issuance comprised a dual-tranche structure achieving a loan-to-value of 75 per cent against an independently appraised value of the aircraft.

In addition to long-term regular aircraft financing, the Group took steps to boost available liquidity through other lending and facilities. Short-term aircraft-backed financing facilities for British Airways ($750 million, or €667 million) and Iberia ($228 million, or €194 million) were secured in the second quarter. These facilities were fully drawn during the year but had been repaid in full by the end of the year, due to the Group's success in securing more efficient long-term financing.

The Group agreed new non-aircraft debt for each of its main operating companies. In March, British Airways completed its inaugural commercial paper issuance raising net proceeds of €328 million (£298 million) using the UK's Coronavirus Corporate Finance Facility (CCFF) with a maturity of 12 months. In April, Iberia and Vueling entered into floating rate syndicated financing agreements for €750 million and €260 million respectively, with the funds received in May. These loans are secured by a guarantee of 70 per cent of the amount borrowed from the *Instituto de Crédito Oficial* ('ICO') in Spain. There is no amortisation for the first three years and the loans mature in 2025; the loans do not include financial covenants but place some restrictions on the transfer of cash to the rest of the IAG companies. In December, the Irish Strategic Investment Fund (ISIF) approved a €150 million facility for Aer Lingus with €75 million drawn down as a loan as at December 31, 2020; this loan also has restrictions regarding transfers of cash, from Aer Lingus to IAG and other Group companies. At the end of 2020 British Airways announced that it had received commitments for a 5-year Export Development Guaranteed term loan for £2.0 billion underwritten by a syndicate of banks, partially guaranteed (80 per cent) by UK Export Finance (UKEF) and containing some non-financial covenants, including restrictions on cash transfers to IAG. The facility was fully drawn down as a loan in February 2021.

The debt actions above resulted in total 'Proceeds from borrowings' for the year of €3,567 million. This includes the drawing down of the short-term aircraft financing facilities above, with the repayment of those facilities during the year shown in 'Repayments of borrowings and lease liabilities'.

Equity

During quarter 3 the Group launched a capital increase by rights issue, which was fully subscribed, with the Group's largest shareholder, Qatar Airways Group subscribing for its pro rated entitlement in full. The capital increase was successfully completed at the start of quarter 4, with gross proceeds of €2.7 billion received in October. As at December 31, 2020 none of the proceeds from the €2.7 billion capital increase had been allocated permanently to any of the Group's operating companies. British Airways received a loan from IAG of €1,645 million and Aer Lingus a loan of €50 million.

Liquidity facilities

In March, British Airways' revolving credit facility (RCF) was extended to June 2021, with a committed amount of $1.38 billion. The Group has secured other credit facilities during the year. At the end of the year committed general credit facilities, including the undrawn amount of the British Airways RCF, were €0.9 billion. In addition, the Group had committed aircraft financing facilities of €1.2 billion, which provide guaranteed financing against certain future aircraft deliveries, including the committed proceeds still to be drawn as part of the British Airways EETC issued in November 2020. In total, the Group had €2.1 billion of committed and undrawn general and aircraft facilities as at December 31, 2020.

Dividends

As a result of the impact of COVID-19, on April 2, 2020, the Board of Directors of the Group resolved to withdraw the proposal to the subsequent Shareholders' Meeting to pay a final dividend for 2019 of 17 € cents per share, which would have resulted in a total payment of €337 million.

Liquidity and cashflow

Total liquidity, measured as cash and interest-bearing deposits of €5,917 million and committed and undrawn general and aircraft facilities of €2,142 million, was €8,059 million at December 31, 2020. Including the €2.2 billion UKEF debt agreed in December 2020 results in pro forma liquidity of €10.3 billion.

Cash flow

€ million	2020	2019	Movement
Operating (loss)/profit	**(7,426)**	2,613	(10,039)
Depreciation, amortisation and impairment	**2,955**	2,111	844
Movement in working capital	**1,227**	(70)	1,297
Payment related to restructuring	**(383)**	(180)	(203)
Pension contributions net of service costs	**(313)**	(865)	552
Provisions and other non-cash movements	**556**	951	(395)
Unrealised loss on discontinuance of fuel and foreign exchange hedge accounting	**569**	-	569
Interest paid	**(548)**	(481)	(67)
Interest received	**22**	42	(20)
Tax received/(paid)	**45**	(119)	164
Net cash (outflows)/inflows from operating activities	**(3,296)**	4,002	(7,298)
Acquisition of PPE and intangible assets	**(1,939)**	(3,465)	1,526
Sale of PPE and intangible assets	**1,133**	911	222
Decrease/(increase) in current interest-bearing deposits	**2,366**	(103)	2,469
Other investing movements	**2**	(1)	3
Net cash flows from investing activities	**1,562**	(2,658)	4,220
Proceeds from borrowings	**3,567**	2,286	1,281
Repayments of borrowings	**(978)**	(730)	(248)
Repayment of lease liabilities	**(1,536)**	(1,507)	(29)
Dividend paid	**(53)**	(1,308)	1,255
Proceeds from rights issue	**2,674**	-	2,674
Net cash flows from financing activities	**3,674**	(1,259)	4,933
Net increase in cash and cash equivalents	**1,940**	85	1,855
Net foreign exchange differences	**(228)**	140	(368)
Cash and cash equivalents at January 1	**4,062**	3,837	225
Cash and cash equivalents at year end	**5,774**	4,062	1,712
Interest-bearing deposits maturing after more than three months	**143**	2,621	(2,478)
Cash, cash equivalents and interest-bearing deposits	**5,917**	6,683	(766)

Many of the significant cashflow items are already explained above, including in the sections on operating costs (fuel), capital expenditure, working capital and other initiatives and funding.

Restructuring payments include payments in Spain relating to redundancy programmes agreed in prior years, together with the cash paid in 2020 relating to the exceptional restructuring charge of €313 million (see Alternative Performance Measures section).

Pension payments in 2019 included an additional one-off payment of £250 million (€283 million) to the British Airways NAPS fund; 2020 benefited from the deferral of deficit contributions in quarter 4.

Of the exceptional charges for discontinuance of hedge accounting in respect of passenger revenue of €62 million and fuel, oil and emissions costs of €1,694 million in 2020, €1,187 million had been paid, leaving €569 million to be paid in future years, with the majority due in 2021.

Sale of property, plant and equipment and intangibles, in addition to the aircraft 13 sale and leaseback transactions discussed under 'Funding' above, includes the disposal of surplus engines and other equipment and property at London Heathrow.

Repayments of borrowings and lease liabilities includes the principal element of ongoing lease payments, together with short-term aircraft financing of €833 million, which was drawn and fully repaid during the year. There are no IAG bond payments falling due in 2021; based on the share price at December 31, 2020, the remaining €500 million IAG convertible bond will be due for repayment in November 2022.

The €53 million of cash outflow for dividends relates to the Spanish withholding tax in respect of the 2019 interim dividend, as the dividend was paid to shareholders in December 2019 and the related withholding tax was paid to the Spanish tax authorities in January 2020.

STRATEGIC FRAMEWORK

IAG's vision is to be the leading international airline group.

This means we strive to:

- Win the customer through service and value across our global network;
- Deliver higher returns to our shareholders through leveraging cost and revenue opportunities across the Group;
- Attract and develop the best people in the industry;
- Provide a platform for quality international airlines, leaders in their markets, to participate in consolidation;
- Retain the distinct cultures and brands of our individual airlines; and
- Lead the industry in sustainability.

By driving toward our vision, IAG will help to shape the future of the industry and set standards of excellence, with a view to maximising sustainable value creation for our shareholders and customers..

IAG's strategic priorities are as follows:

- Strengthening a portfolio of world-class brands and operations;
- Growing global leadership positions; and
- Enhancing the common integrated platform.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has continued to maintain its framework and processes to identify, assess and manage risks. The principal risks and uncertainties affecting the Group, detailed on pages 62 to 69 of the 2019 Annual Report and Accounts, remain relevant and included the risk of pandemic within "Event causing significant network disruption".

This year, in response to the pandemic crisis, the risk management framework has further evolved to develop the Group's assessment of the interdependencies of risks; built on scenario planning to quantify impacts under different assumptions; and considers the risks that have increased either as a result of the external environment or as a result of decisions made by the business in response to the external environment. The process adopted this year has helped the Board and management to respond quickly to the rapidly changing environment, enabling clear understanding and identification of emerging risks arising from the impact of the pandemic. No new principal risks were identified through the risk management assessment discussions across the business, although the severity or likelihood of occurrence of certain risks has increased as a result of the pandemic and its consequences.

Where additional mitigating actions have been identified they have been implemented and embedded to minimise the continued impact to the Group and protect its businesses and people. These actions have been discussed with the Board through regular updates and include frequent and ongoing consideration of potential scenarios, outlining the impact of further stress on the Group driven by the wider political and economic environment and local government responses to the pandemic.

From the risks identified in the 2019 Annual Report and Accounts, the main risks impacted by the COVID-19 pandemic are highlighted below, with business responses implemented by management and reflected in the Group's latest business plan and scenarios.

- Airports, infrastructure and critical third parties. Restrictions at hubs and airports have required ongoing capacity adjustments, including fleet adjustments, operational flexibility and new operating procedures. The Group has pro-actively worked with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary.
- Competition, consolidation and government regulation. The scale of governmental support and aviation specific state-aid measures have varied in different countries and the potential impact to the competitive landscape is under continuous assessment. Governmental restrictions continue to be fragmented and volatile and have required significant agility within our networks to manage the impact on our customers and business. The Group has restructured its businesses and operations to meet the challenge of the current environment.
- Cyber attack and data security. The Group has continued with its planned investment in cyber security and has taken steps to mitigate IT and other risks as a result of remote working. The IAG Chief Information Security Office supports the Group businesses providing assurance and expertise around strategy, policy, training and information security operations for the Group. Threat Intelligence is used to analyse cyber risks to the Group.
- Event causing operational disruption. The COVID-19 pandemic is likely to continue to have an adverse effect on the Group, as would any future pandemic outbreak or other material event that results in the imposition of governments' restrictions on travel and the movement of people. Disruptive events impact the Group airlines' customers and can have an adverse effect on the Group's brands. The Group is focussed on operational and financial resilience and customer and colleague safety and recovery.
- IT systems and IT infrastructure. The dependency on IT systems for key business and customer processes is high. The transformational change at pace required by the Group's airlines may result in disruption to operations as the legacy IT environment is addressed.
- People, culture and employee relations. Additional safety procedures have been introduced to protect the Group's staff and customers, in line with industry recommendations. Where possible, the Group's staff worked from home and in line with governments' recommendations. The resilience and engagement of the Group's people and leaders has been critical through the pandemic period to ensuring the Group is best positioned to resume operations and adapt as needed to the uncertain external environment. As the Group rapidly transforms all its operations to adjust for the new environment, the engagement and support of the Group's employees is going to be a critical enabler. Employee consultations have been undertaken as required and appropriate in relation to restructuring necessitated by COVID-19.
- Political and economic environment. National governments are imposing a range of travel and quarantine restrictions, which will continue to impact Group operations. These are being actively monitored and near-term capacity plans are refreshed dynamically, according to the latest status. If the economic impact of COVID-19 continues, the Group will adjust its future capacity plans accordingly, retaining flexibility to adapt as required.

- Debt funding and financial risk. Despite disruption in the financial markets since the spread of the pandemic, the Group has focused on protecting liquidity by renewing and extending credit facilities and agreeing new aircraft leases, together with agreeing additional one-year funding facilities in advance of an improvement in market conditions. Aircraft were successfully financed on long-term arrangements during the year and the additional one-year facilities were repaid. The Group also raised additional equity, with net proceeds of €2.7 billion received in early October. On 22nd February 2021, British Airways announced that it had finalised the agreement for a 5-year Export Development Guaranteed term loan for £2.0 billion underwritten by a syndicate of banks, substantially guaranteed (80 per cent) by UK Export Finance (UKEF).

The Board and its sub committees have been appraised of regulatory, competitor and governmental responses on an ongoing basis.

International Consolidated Airlines Group S.A.

Unaudited full year Consolidated Financial Statements

January 1, 2020 – December 31, 2020

CONSOLIDATED INCOME STATEMENT

€ million	Note	Year to December 31 2020	2019[1]
Passenger revenue		**5,512**	22,468
Cargo revenue		**1,306**	1,117
Other revenue		**988**	1,921
Total revenue	4	**7,806**	25,506
Employee costs	7	**3,560**	5,634
Fuel, oil costs and emissions charges		**3,735**	6,021
Handling, catering and other operating costs		**1,340**	2,972
Landing fees and en-route charges		**918**	2,221
Engineering and other aircraft costs		**1,456**	2,092
Property, IT and other costs		**782**	811
Selling costs		**405**	1,038
Depreciation, amortisation and impairment	5	**2,955**	2,111
Currency differences		**81**	(7)
Total expenditure on operations		**15,232**	22,893
Operating (loss)/profit		**(7,426)**	2,613
Finance costs	8	**(670)**	(611)
Finance income	8	**41**	50
Net financing credit relating to pensions	8	**4**	26
Net currency retranslation credits		**245**	201
Other non-operating charges	8	**(4)**	(4)
Total net non-operating costs		**(384)**	(338)
(Loss)/profit before tax		**(7,810)**	2,275
Tax	9	**887**	(560)
(Loss)/profit after tax for the year		**(6,923)**	1,715
Attributable to:			
Equity holders of the parent		**(6,923)**	1,715
Non-controlling interest		**–**	–
		(6,923)	1,715
Basic (loss)/earnings per share (€ cents)[2]	10	**(196.2)**	56.1
Diluted (loss)/earnings per share (€ cents)[2]	10	**(196.2)**	55.5

1 In 2020 the Group has presented the Income statement using a single column approach whereas in prior years the Group presented the Income statement using a three-column approach. The 2019 comparative figures have also been re-presented. Further information is given in the basis of preparation in note 2.
2 The earnings per share information for 2019 has been restated to reflect the impact of the rights issue. Further information is given in note 10.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

€ million	Note	Year to December 31 2020	2019
Items that may be reclassified subsequently to net profit			
Cash flow hedges:			
Fair value movements in equity		**(2,171)**	610
Reclassified and reported in net profit		**1,871**	141
Fair value movements on cost of hedging		**(16)**	36
Cost of hedging reclassified and reported in net profit		**(19)**	(10)
Currency translation differences	29	**(192)**	296
Items that will not be reclassified to net profit			
Fair value movements on other equity investments		**(53)**	(8)
Fair value movements on cash flow hedges		**(45)**	(70)
Fair value movements on cost of hedging		**26**	32
Remeasurements of post-employment benefit obligations		**(632)**	(788)
Total other comprehensive (loss)/income for the year, net of tax		**(1,231)**	239
(Loss)/profit after tax for the year		**(6,923)**	1,715
Total comprehensive (loss)/income for the year		**(8,154)**	1,954
Total comprehensive (loss)/income is attributable to:			
Equity holders of the parent		**(8,154)**	1,954
Non-controlling interest	29	**–**	–
		(8,154)	1,954

Items in the consolidated Statement of other comprehensive income above are disclosed net of tax.

CONSOLIDATED BALANCE SHEET

€ million	Note	December 31, 2020	December 31, 2019[1]
Non-current assets			
Property, plant and equipment	12	**17,531**	19,168
Intangible assets	15	**3,208**	3,442
Investments accounted for using the equity method	16	**29**	31
Other equity investments	17	**29**	82
Employee benefit assets	30	**282**	314
Derivative financial instruments	26	**42**	268
Deferred tax assets	9	**1,075**	546
Other non-current assets	18	**228**	273
		22,424	24,124
Current assets			
Inventories		**351**	565
Trade receivables	18	**557**	2,255
Other current assets	18	**792**	1,314
Current tax receivable	9	**101**	186
Derivative financial instruments	26	**122**	324
Current interest-bearing deposits	19	**143**	2,621
Cash and cash equivalents	19	**5,774**	4,062
		7,840	11,327
Total assets		**30,264**	35,451
Shareholders' equity			
Issued share capital	27	**497**	996
Share premium	27	**7,770**	5,327
Treasury shares		**(40)**	(60)
Other reserves		**(6,917)**	560
Total shareholders' equity		**1,310**	6,823
Non-controlling interest	29	**6**	6
Total equity		**1,316**	6,829
Non-current liabilities			
Borrowings	23	**13,464**	12,411
Employee benefit obligations	30	**719**	400
Deferred tax liability	9	**40**	290
Provisions	24	**2,286**	2,416
Deferred revenue on ticket sales	21	**473**	-
Derivative financial instruments	26	**310**	286
Other long-term liabilities	22	**140**	71
		17,432	15,874
Current liabilities			
Borrowings	23	**2,215**	1,843
Trade and other payables	20	**2,810**	4,344
Deferred revenue on ticket sales	21	**4,657**	5,486
Derivative financial instruments	26	**1,160**	252
Current tax payable	9	**48**	192
Provisions	24	**626**	631
		11,516	12,748
Total liabilities		**28,948**	28,622
Total equity and liabilities		**30,264**	35,451

1 The 2019 Balance sheet includes a reclassification in the presentation of assets and liabilities for employee benefits and deferred tax. Refer to note 2 for further information.

CONSOLIDATED CASH FLOW STATEMENT

€ million	Note	Year to December 31 2020	2019
Cash flows from operating activities			
Operating (loss)/profit		**(7,426)**	2,613
Depreciation, amortisation and impairment	5	**2,955**	2,111
Movement in working capital		**1,227**	(70)
Decrease/(increase) in trade receivables, inventories and other current assets		*2,347*	*(935)*
(Decrease)/increase in trade and other payables and deferred revenue on ticket sales		*(1,120)*	*865*
Payments related to restructuring	24	**(383)**	(180)
Employer contributions to pension schemes		**(318)**	(870)
Pension scheme service costs	30	**5**	5
Provisions and other non-cash movements		**556**	951
Unrealised loss on discontinuance of fuel and foreign exchange hedge accounting		**569**	–
Interest paid		**(548)**	(481)
Interest received		**22**	42
Tax received/(paid)		**45**	(119)
Net cash (outflows)/inflows from operating activities		**(3,296)**	4,002
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(1,939)**	(3,465)
Sale of property, plant and equipment and intangible assets		**1,133**	911
Decrease/(increase) in current interest-bearing deposits		**2,366**	(103)
Other investing movements		**2**	(1)
Net cash inflows/(outflows) from investing activities		**1,562**	(2,658)
Cash flows from financing activities			
Proceeds from borrowings		**3,567**	2,286
Repayment of borrowings		**(978)**	(730)
Repayment of lease liabilities		**(1,536)**	(1,507)
Dividend paid	11	**(53)**	(1,308)
Proceeds from rights issue		**2,674**	–
Net cash inflows/(outflows) from financing activities		**3,674**	(1,259)
Net increase in cash and cash equivalents		**1,940**	85
Net foreign exchange differences		**(228)**	140
Cash and cash equivalents at 1 January		**4,062**	3,837
Cash and cash equivalents at year end	19	**5,774**	4,062
Interest-bearing deposits maturing after more than three months	19	**143**	2,621
Cash, cash equivalents and interest-bearing deposits	19	**5,917**	6,683

For details on restricted cash balances refer to note 19 Cash, cash equivalents and current interest-bearing deposits.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year to December 31, 2020

€ million	Issued share capital (note 27)	Share premium (note 27)	Treasury shares (note 27)	Other reserves (note 29)	Retained earnings	**Total shareholders' equity**	Non-controlling interest (note 29)	**Total equity**
January 1, 2020	996	5,327	(60)	(2,579)	3,139	**6,823**	6	**6,829**
Loss for the year	–	–	–	–	(6,923)	**(6,923)**	–	**(6,923)**
Other comprehensive loss for the year								
Cash flow hedges reclassified and reported in net profit:								
Passenger revenue	–	–	–	50	–	**50**	–	**50**
Fuel and oil costs	–	–	–	356	–	**356**	–	**356**
Currency differences	–	–	–	18	–	**18**	–	**18**
Finance costs	–	–	–	12	–	**12**	–	**12**
Discontinuance of hedge accounting	–	–	–	1,435	–	**1,435**	–	**1,435**
Net change in fair value of cash flow hedges	–	–	–	(2,216)	–	**(2,216)**	–	**(2,216)**
Net change in fair value of equity investments	–	–	–	(53)	–	**(53)**	–	**(53)**
Net change in fair value of cost of hedging	–	–	–	10	–	**10**	–	**10**
Cost of hedging reclassified and reported in the net profit	–	–	–	(19)	–	**(19)**	–	**(19)**
Currency translation differences	–	–	–	(192)	–	**(192)**	–	**(192)**
Remeasurements of post-employment benefit obligations	–	–	–	–	(632)	**(632)**	–	**(632)**
Total comprehensive loss for the year	–	–	–	(599)	(7,555)	**(8,154)**	–	**(8,154)**
Hedges reclassified and reported in property, plant and equipment	–	–	–	(18)	–	**(18)**	–	**(18)**
Cost of share-based payments	–	–	–	–	(10)	**(10)**	–	**(10)**
Vesting of share-based payment schemes	–	–	20	–	(22)	**(2)**	–	**(2)**
Share capital reduction	(797)	–	–	797	–	**-**	–	**-**
Rights issue	298	2,443	–	–	(70)	**2,671**	–	**2,671**
December 31, 2020	**497**	**7,770**	**(40)**	**(2,399)**	**(4,518)**	**1,310**	**6**	**1,316**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year to December 31, 2019

€ million	Issued share capital (note 27)	Share premium (note 27)	Treasury shares (note 27)	Other reserves (note 29)	Retained earnings	Total shareholders' equity	Non-controlling interest (note 29)	Total equity
January 1, 2019	996	6,022	(68)	(3,556)	2,770	6,164	6	6,170
Profit for the year	–	–	–	–	1,715	1,715	–	1,715
Other comprehensive income for the year								
Cash flow hedges reclassified and reported in net profit:								
Passenger revenue	–	–	–	55	–	55	–	55
Fuel and oil costs	–	–	–	106	–	106	–	106
Currency differences	–	–	–	(26)	–	(26)	–	(26)
Finance costs	–	–	–	6	–	6	–	6
Net change in fair value of cash flow hedges	–	–	–	540	–	540	–	540
Net change in fair value of equity investments	–	–	–	(8)	–	(8)	–	(8)
Net change in fair value of cost of hedging	–	–	–	68	–	68	–	68
Cost of hedging reclassified and reported in net profit	–	–	–	(10)	–	(10)	–	(10)
Currency translation differences	–	–	–	296	–	296	–	296
Remeasurements of post-employment benefit obligations	–	–	–	–	(788)	(788)	–	(788)
Total comprehensive income for the year	–	–	–	1,027	927	1,954	–	1,954
Hedges reclassified and reported in property, plant and equipment	–	–	–	(11)	–	(11)	–	(11)
Cost of share-based payments	–	–	–	–	33	33	–	33
Vesting of share-based payment schemes	–	–	8	–	(14)	(6)	–	(6)
Dividend	–	(695)	–	–	(615)	(1,310)	–	(1,310)
Redemption of convertible bond	–	–	–	(39)	38	(1)	–	(1)
December 31, 2019	996	5,327	(60)	(2,579)	3,139	6,823	6	6,829

1 Background and general information

International Consolidated Airlines Group S.A. (hereinafter 'International Airlines Group', 'IAG' or the 'Group') is a leading European airline group, formed to hold the interests of airline and ancillary operations. IAG is a Spanish company registered in Madrid and was incorporated on December 17, 2009. On January 21, 2011 British Airways Plc and Iberia Líneas Aéreas de España S.A. Operadora (hereinafter 'British Airways' and 'Iberia' respectively) completed a merger transaction becoming the first two airlines of the Group. Vueling Airlines S.A. ('Vueling') was acquired on April 26, 2013, and Aer Lingus Group Plc ('Aer Lingus') on August 18, 2015. A list of the subsidiaries of the Group is included in the Group investments section.

IAG shares are traded on the London Stock Exchange's main market for listed securities and also on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia (the 'Spanish Stock Exchanges'), through the Spanish Stock Exchanges Interconnection System (Mercado Continuo Español).

2 Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRSs as endorsed by the EU). The consolidated financial statements herein are not the Group's statutory accounts and are unaudited. The consolidated financial statements are rounded to the nearest million unless otherwise stated. These financial statements have been prepared on a historical cost convention except for certain financial assets and liabilities, including derivative financial instruments and other equity investments that are measured at fair value. The carrying value of recognised assets and liabilities that are subject to fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged. The financial statements for the prior year include reclassifications that were made to conform to the current year presentation.

The Group's financial statements for the year to December 31, 2020 were authorised for issue, and approved by the Board of Directors on February 25, 2021.

Reclassification

Deferred tax assets arising on the restriction of surpluses to reflect minimum funding requirements of the British Airways Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) defined benefit schemes, previously recognised within Employee benefit assets in the Balance sheet at December 31, 2019, have been reclassified to be presented net within Deferred tax liabilities at both December 31, 2019 and January 1, 2019 to conform to the current period presentation. The reclassification had the effect of reducing Deferred tax liabilities, reducing the Employee benefit assets and increasing the Employee benefit obligations at both balance sheet dates.

There is no impact to Profit after tax for the year, Other comprehensive income for the year, Net assets or the Statement of changes in equity in any year presented. The following table summarises the impact of the reclassification on the Consolidated balance sheet line items at December 31, 2019 and January 1, 2019:

Consolidated balance sheet (at December 31, 2019)

€ million	Previously reported	Reclassification	Adjusted
Non-current assets			
Employee benefit assets	524	(210)	314
Non-current liabilities			
Employee benefit obligations	328	72	400
Deferred tax liability	572	(282)	290

Consolidated balance sheet (at January 1, 2019)

€ million	Previously reported	Reclassification	Adjusted
Non-current assets			
Employee benefit assets	1,129	(365)	764
Deferred tax assets	536	131	667
Non-current liabilities			
Employee benefit obligations	289	138	427
Deferred tax liability	453	(372)	81

Presentation of results

Following consideration of regulatory publications, the Group has re-presented its results in the Income statement from using a three-column approach to a single column approach. The comparative figures have also been re-presented. The impact of exceptional items on the performance of the Group is detailed in the Alternative performance measures section.

Going concern

The economic uncertainty of the COVID-19 pandemic and the fragmented and varied responses from governments have had a significant impact on the Group's results and cash flows. At December 31, 2020, the Group had cash and interest-bearing deposits of €5.9 billion, €0.9 billion of committed and undrawn general facilities and a further €1.2 billion of committed and undrawn aircraft specific facilities. Liquidity has been enhanced through to the date of this report by a further €2.2 billion arising from the Group finalising the terms of a UK Export Credit Facility.

The reduction in liquidity during 2020 was partially mitigated by, amongst other actions, accessing Spain's *Instituto de Crédito Oficial* (ICO) facility, the UK's Coronavirus Corporate Finance Facility (CCFF) and Ireland's Strategy Investment Fund (ISIF). These actions raised an additional €1.4 billion, of which €0.3 billion matures within 12 months from the date of this report. The Group's facilities have limited financial covenants, but there are a number of non-financial covenants to protect the position of the banks, including restrictions on the upstreaming of cash to IAG or lending to other Group companies.

Despite the uncertainty of the COVID-19 pandemic, the Group has continued to successfully secure financing arrangements for all aircraft delivered in 2020. This includes the one-year aircraft-backed financing facilities for old and new aircraft which were secured in the second quarter of 2020 and subsequently repaid prior to year-end and the aircraft-specific facility achieved as part of the Enhanced Equipment Trust Certificate (EETC) financing structure. In total the Group raised proceeds of €2.2 billion through aircraft specific financing.

In its assessment of going concern over the period to March 31, 2022 (the 'going concern period'), the Group has modelled two scenarios referred to below as the Base Case and the Downside Case. The Group's three-year Business plan, prepared and approved by the Board in December 2020, was subsequently refreshed with the latest available internal and external information in February 2021. This refreshed Business plan supports the Base Case, which takes into account the Board's and management's views on the anticipated impact and recovery from the COVID-19 pandemic on the Group across the going concern period. The key inputs and assumptions underlying the Base Case include:

- As part of the recovery, the Group has assumed a gradual easing of travel restrictions, by geographical region, based on deployment of vaccines during the year. Travel corridors between countries are assumed to be introduced from quarter 3 2021, first in Europe then North America, with other regions following in the first half of 2022;
- Capacity recovery modelled by geographical region (and in certain regions, by key destinations) with capacity gradually increasing from a reduction of 79 per cent in quarter 1 2021 (compared to the equivalent period in 2019) to 18 per cent in quarter 1 2022 (again compared to quarter 1 2019), with the average over the going concern period being 43 per cent down;
- Passenger unit revenue per ASK, although forecast to continue recovering, is expected to still remain below levels of 2019 by the end of the going concern period, which is based on, amongst other assumptions, a greater weighting of shorthaul versus longhaul, leisure versus business and economy versus premium compared to 2019. Specifically, the Group's expectation is that traffic related to domestic and leisure will recover faster than longhaul and business;
- The Group has assumed that the committed and undrawn general facilities of €0.9 billion will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €0.1 billion being available to the Group at the end of the going concern period;
- The Group has assumed that of the committed and undrawn aircraft specific facilities of €1.2 billion, €0.4 billion will be drawn to fund specific aircraft scheduled for delivery during 2021 and of the remaining €0.8 billion, €0.3 billion would be available to be drawn over the going concern period if required; and
- Of the capital commitments detailed in note 14, €1.6 billion is due to be paid over the going concern period and the Group has forecast securing 80 per cent, or €1.0 billion, of the aircraft financing required that is currently uncommitted, to align with the timing and payments for these aircraft deliveries. This loan to value assumption is below the level of financing the Group has been able to achieve recently, including over the course of the COVID-19 pandemic to date.

The Downside Case applies further stress to the Base Case to model a more prolonged downturn, with a more gradual recovery relative to the Base Case. The Downside Case is representative of a slower roll out of the vaccination programme on a regional basis, with travel restrictions remaining in place and the gradual recovery of capacity being delayed longer than in the Base Case. The Downside Case also models a more acute impact on the longhaul sector, with the domestic sector and European shorthaul sectors recovering faster than longhaul. The result of which is that the levels of capacity assumed under the Base Case for the third quarter of 2021 are not achieved under the Downside Case until the first quarter of 2022. In the Downside Case, over the going concern period capacity would be 60 per cent down on 2019. The Directors consider the Downside Case to be a severe but plausible scenario.

The Group has modelled the impact of further deteriorations in capacity operated and yield, including mitigating actions to reduce operating and capital expenditure. The Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions, including asset disposals, it would pursue in the event of adverse liquidity experience.

Furthermore, to add resilience to the liquidity position of the Group, the Directors are actively pursuing a range of financing options, including the renegotiation of existing financing arrangements and securing additional long term financial facilities, but these have not been included in the Base or Downside Cases.

Having reviewed the Base Case, Downside Case and additional sensitivities, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis in preparing the financial statements.

However, due to the uncertainty created by COVID-19, there are a number of significant factors that are outside of the control of the Group, including: the status and impact of the pandemic worldwide; the emergence of new variants of the virus and potential resurgence of existing strains of the virus; the availability of vaccines worldwide, together with the speed at which they are deployed; the efficacy of those vaccines; and the restrictions imposed by national governments in respect of the freedom of movement and travel. The Group, therefore, is not able to provide certainty that there could not be a more severe downside scenario than those it has considered, including the sensitivities in relation to the timing of recovery from the COVID-19 pandemic, capacity operated, impact on yield, cost mitigations achieved and the availability of aircraft financing to offset capital expenditure. In the event that a more severe scenario were to occur, the Group will need to secure sufficient additional funding. As set out above, sources of additional funding are expected to include the renegotiation of existing financing arrangements and securing additional long term financial facilities. However, the Group's ability to obtain this additional funding in the event of a more severe downside scenario represents a material uncertainty at February 25, 2021 that could cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Consolidation

The Group financial statements include the financial statements of the Company and its subsidiaries, each made up to December 31, together with the attributable share of results and reserves of associates and joint ventures, adjusted where appropriate to conform to the Group's accounting policies.

Subsidiaries are consolidated from the date of their acquisition, which is the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group applies the acquisition method to account for business combinations. The consideration paid is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the consolidated Balance sheet. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the Income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed.

All intragroup account balances, including intragroup profits, are eliminated in preparing the consolidated financial statements.

Unconsolidated structured entities

The Group regularly uses sale and leaseback transactions to finance the acquisition of aircraft. In certain instances the Group will finance several such transactions at once through Enhanced Equipment Trust Certificates (EETCs). Under each of these financing structures, a company (the EETC Issuer) is established to facilitate such financing on behalf of a number of unrelated investors. The proceeds from the issuance of the EETCs by the EETC Issuer are then used to purchase aircraft solely from the Group. Payments by the Group (under the asset financed liabilities) to the EETC Issuer are distributed, through a trust, to the aforementioned unrelated investors. The main purpose of the trust structure is to enhance the credit worthiness of the Group's debt obligations through certain bankruptcy protection provisions and liquidity facilities, and also to lower the Group's total borrowing cost.

The EETC Issuer is established solely with the purpose of providing the asset-backed financing and upon maturity of such financing is expected to have no further activity. The relevant activities of the EETC Issuer are restricted to pre-established financing agreements and the retention of the title of the associated financed aircraft. Accordingly, the Group has determined that each EETC Issuer is a structured entity. Under the contractual terms of the EETC structure, the Group does not own any of the share capital of the EETC Issuer, does not have any representation on the respective boards and has no ability to influence decision making.

In considering the aforementioned facts, management has concluded that the Group does not have access to variable returns from the EETC Issuers because its involvement is limited to the payment of principal and interest under the arrangement and, therefore, it does not control the EETC Issuers and as such does not consolidate them.

Segmental reporting

Operating segments are reported in a manner consistent with how resource allocation decisions are made by the chief operating decision-maker. The chief operating decision-maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the IAG Management Committee.

Foreign currency translation

a Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the functional currency, being the currency of the primary economic environment in which the entity operates. In particular, British Airways and Avios have a functional currency of pound sterling. The Group's consolidated financial statements are presented in euros, which is the Group's presentation currency.

b Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange prevailing on the date of the transaction. Monetary foreign currency balances are translated into the functional currency at the rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except where hedge accounting is applied. Foreign exchange gains and losses arising on the retranslation of monetary assets and liabilities classified as non-current on the Balance sheet are recognised within Net currency retranslation (charges)/credits in the Income statement. All other gains and losses arising on the retranslation of monetary assets and liabilities are recognised in operating profit.

c Group companies

The net assets of foreign operations are translated into euros at the rate of exchange ruling at the balance sheet date. Profits and losses of such operations are translated into euros at average rates of exchange during the year. The resulting exchange differences are taken directly to a separate component of equity (Currency translation reserve) until all or part of the interest is sold, when the relevant portion of the cumulative exchange difference is recognised in the Income statement.

Property, plant and equipment

Property, plant and equipment is held at cost. The Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less the estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis.

a Capitalisation of interest on progress payments

Interest attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned. All other borrowing costs are recognised in the Income statement in the year in which they are incurred.

b Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits. Fleet assets owned or right of use ('ROU') assets are disaggregated into separate components and depreciated at rates calculated to write down the cost of each component to the estimated residual value at the end of their planned operational lives (which is the shorter of their useful life or lease term) on a straight-line basis. Depreciation rates are specific to aircraft type, based on the Group's fleet plans, within overall parameters of 23 years and up to 5 per cent residual value for shorthaul aircraft and between 25 and 29 years (depending on aircraft) and up to 5 per cent residual value for longhaul aircraft. Right of use assets are depreciated over the shorter of the lease term and the aforementioned depreciation rates.

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over the lower of five years and the remaining economic life of the aircraft.

Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotable spares purchased separately, are carried as property, plant and equipment and generally depreciated in line with the fleet to which they relate.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the Income statement on consumption or as incurred respectively.

c Other property, plant and equipment

Provision is made for the depreciation of all property, plant and equipment. Property, with the exception of freehold land, is depreciated over its expected useful life over periods not exceeding 50 years, or in the case of leasehold properties, over the duration of the lease if shorter, on a straight-line basis. Equipment is depreciated over periods ranging from 4 to 20 years.

d Leases

The Group leases various aircraft, properties and equipment. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Right of use assets
At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition. (with a corresponding amount recognised within Provisions).

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities
Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor. For aircraft leases these inputs are either observable in the contract or readily available from external market data. The initial direct costs of the lessor are considered to be immaterial. If the interest rate implicit in the lease cannot be determined, the Group entity's incremental borrowing rate is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification of the lease contract, a re-assessment of the lease term (specifically in regard to assumptions regarding extension and termination options) and changes in variable lease payments that are based on an index or a rate.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in the Income statement. Short-term leases are leases with a lease term of 12 months or less, that do not contain a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset. Extension options are included in a number of aircraft, property and equipment leases across the Group and are reflected in the lease payments where the Group is reasonably certain that it will exercise the option. The Group is also exposed to variable lease payments based on usage or revenue generated over a defined period. Such variable lease payments are expensed to the Income statement as incurred.

The Group regularly uses sale and lease transactions to finance the acquisition of aircraft. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. If a sale has occurred, then the associated asset is de-recognised and a ROU asset and lease liability is recognised. The ROU asset recognised is based on the proportion of the previous carrying amount of the asset that is retained. Any gain or loss is restricted to the amount that relates to the rights that have been transferred to the counter-party to the transaction. Where a sale has not occurred, the asset is retained on the balance sheet within Property, plant and equipment and an asset financed liability recognised equal to the financing proceeds.

Financing arrangements with the following features that do not meet the recognition criteria as a sale under IFRS 15 are therefore not eligible for recognition under IFRS 16: the lessor has legal ownership retention as security against repayment and interest obligations; the Group initially acquired the aircraft or took a major share in the acquisition process from the manufacturer; in view of the contractual conditions, it is virtually certain that the aircraft will be purchased at the end of the lease term.

Cash flow presentation
Lease payments are presented as follows in the Consolidated cash flow statement: the repayments of the principal element of lease liabilities are presented within cash flows from financing activities; the payments of the interest element of lease liabilities are included within cash flows from operating activities, and; the payments arising from variable elements of a lease, short-term leases and low-value assets are presented within cash flows from operating activities.

COVID-19 related rent concessions
On May 28, 2020, the IASB issued 'COVID-19 Related Rent Concessions – amendments to IFRS 16 Leases'. The EU subsequently adopted the amendment on October 9, 2020. The amendment provides a practical expedient for lessees not to assess whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods commencing on or after June 1, 2020 and the Group has elected to adopt this amendment for the year to December 31, 2020.

Intangible assets

a Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration paid over the net fair value of the identifiable assets and liabilities of the acquiree. Where the net fair value of the identifiable assets and liabilities of the acquiree is in excess of the consideration paid, a gain on bargain purchase is recognised immediately in the Income statement.

For the purpose of assessing impairment, goodwill is grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is tested for impairment annually and whenever indicators exist that the carrying value may not be recoverable.

b Brands

Brands arising on the acquisition of subsidiaries are initially recognised at fair value at the acquisition date. Long established brands that are expected to be used indefinitely are not amortised but assessed annually for impairment.

c Customer loyalty programmes

Customer loyalty programmes arising on the acquisition of subsidiaries are initially recognised at fair value at the acquisition date. A customer loyalty programme with an expected useful life is amortised over the expected remaining useful life. Established customer loyalty programmes that are expected to be used indefinitely are not amortised but assessed annually for impairment.

d Landing rights

Landing rights acquired in a business combination are recognised at fair value at the acquisition date. Landing rights acquired from other airlines are capitalised at cost.

Capitalised landing rights based outside of the United Kingdom and the EU are amortised on a straight-line basis over a period not exceeding 20 years. Capitalised landing rights based within the EU are not amortised, as regulations provide that these landing rights are perpetual.

e Contract based intangibles

Contract based intangibles acquired in a business combination are recognised initially at fair value at the acquisition date and amortised over the remaining life of the contract.

f Software

The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis generally over a period not exceeding five years, with certain specific software developments amortised over a period of up to 10 years.

g Emissions allowances

Purchased emissions allowances are recognised at cost. Emissions allowances are not revalued or amortised but are tested for impairment whenever indicators exist that the carrying value may not be recoverable.

From time to time the Group enters into sale and repurchase transactions for specified emission allowances. Such transactions do not meet the recognition criteria of a sale under IFRS 15 and accordingly the asset is retained on the balance sheet within Intangible assets and an other financing liability recognised equal to the proceeds received.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the value by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. Non-financial assets other than goodwill that were subject to an impairment are reviewed for possible reversal of the impairment at each reporting date.

a Property, plant and equipment, including Right of use assets

The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of property, plant and equipment.

b Intangible assets

Intangible assets are held at cost and are either amortised on a straight-line basis over their economic life, or they are deemed to have an indefinite economic life and are not amortised. Indefinite life intangible assets are tested annually for impairment or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments in associates and joint ventures

An associate is an undertaking in which the Group has a long-term equity interest and over which it has the power to exercise significant influence. Where the Group cannot exercise control over an entity in which it has a shareholding greater than 51 per cent, the equity interest is treated as an associated undertaking.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and joint ventures are accounted for using the equity method, and initially recognised at cost. The Group's interest in the net assets of associates and joint ventures is included in Investments accounted for using the equity method in the Balance sheet and its interest in their results is included in the Income statement, below operating result. The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

Financial instruments

a Other equity investments

Other equity investments are non-derivative financial assets including listed and unlisted investments, excluding interests in associates and joint ventures. On initial recognition, these equity investments are irrevocably designated as measured at fair value through Other comprehensive income. They are subsequently measured at fair value, with changes in fair value recognised in Other comprehensive income with no recycling of these gains and losses to the Income statement when the investment is sold. Dividends received on other equity investments are recognised in the Income statement.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques.

b Interest-bearing deposits

Interest-bearing deposits, principally comprising funds held with banks and other financial institutions with contractual cash flows that are solely payments of principal and interest, and held in order to collect contractual cash flows, are carried at amortised cost using the effective interest method.

c Derivative financial instruments and hedging activities

Derivative financial instruments, comprising interest rate swap agreements, foreign exchange derivatives and fuel hedging derivatives (including options, swaps and futures) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. They are classified as financial instruments through the Income statement. The method of recognising the resulting gain or loss arising from remeasurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (as detailed below under cash flow hedges). The time value of options is excluded from the designated hedging instrument and accounted for as a cost of hedging. Movements in the time value of options are recognised in Other comprehensive income until the underlying transaction affects the Income statement.

When a derivative is designated as a hedging instrument and that instrument expires, is sold or is restructured, any cumulative gain or loss remains in the cash flow hedge reserve until such time as the hedging instrument was due to mature at inception of the relationship. Where a forecast transaction which was previously determined to be highly probable and hedge accounting applied, is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is immediately reclassified to the Income statement.

Exchange gains and losses on monetary investments are taken to the Income statement unless the item has been designated and is assessed as an effective hedging instrument. Exchange gains and losses on non-monetary investments are reflected in equity.

d Cash flow hedges

Changes in the fair value of derivative financial instruments designated as a hedge of a highly probable expected future cash flow and assessed as effective are recorded in equity. Gains and losses on derivative instruments not designated as a cash flow hedge are reported in the Income statement. Gains and losses recorded in equity are reflected in the Income statement when either the hedged cash flow impacts the Income statement or the hedged item is no longer expected to occur.

Certain loan repayment instalments denominated in US dollars, euros, Japanese yen and Chinese yuan are designated as cash flow hedges of highly probable future foreign currency revenues. Exchange differences arising from the translation of these loan repayment instalments are recorded in equity and subsequently reflected in the Income statement when either the future revenue impacts income or its occurrence is no longer expected to occur.

e Long-term borrowings

Long-term borrowings are recorded at amortised cost, including lease liabilities which contain interest rate swaps that are closely related to the underlying financing and as such are not accounted for as an embedded derivative.

f Convertible debt

Convertible bonds are classified as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt, and is subsequently recorded at an amortised cost basis using the effective interest method until extinguished on conversion or maturity of the bonds, and is recognised within Interest-bearing borrowings. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in Equity portion of convertible bond in Other reserves and is not subsequently remeasured.

Issue costs are apportioned between the liability and equity components of the convertible bonds where appropriate based on their relative carrying values at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the effective interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this value and the interest paid is added to the carrying amount of the liability.

g Impairment of financial assets

At each balance sheet date, the Group recognises provisions for expected credit losses on financial assets measured at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

When determining whether there has been a significant increase in credit risk since initial recognition and when estimating the expected credit loss, the Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. Such forward-looking information takes into consideration the forecast economic conditions expected to impact the outstanding balances at the balance sheet date. A financial asset is written off when there is no reasonable expectation of recovery, such as the customer having filed for liquidation.

Employee benefit plans

a Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. The benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The discount rate is the yield at the balance sheet date on AA-rated corporate bonds of the appropriate currency that have durations approximating those of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the net obligation calculation results in an asset for the Group, the recognition of an asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). The fair value of the plan assets is based on market price information and, in the case of quoted securities, is the published bid price. The fair value of insurance policies which exactly match the amount and timing of some or all benefits payable under the scheme are deemed to be the present value of the related obligations. Longevity swaps are measured at their fair value.

Current service costs are recognised within employee costs in the year in which they arise. Past service costs are recognised in the event of a plan amendment or curtailment, or when the Group recognises related restructuring costs or severance obligations. The net interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plans are recognised in the Income statement. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding interest) and the return on plan assets (excluding interest), are recognised immediately in Other comprehensive income. Remeasurements are not reclassified to the Income statement in subsequent periods.

b Severance obligations

Severance obligations are recognised when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises a provision for severance payments when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal, or providing severance payments as a result of an offer made to encourage voluntary redundancy.

Other employee benefits are recognised when there is deemed to be a present obligation.

Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Such cost is determined by the weighted average cost method. Inventories include mainly aircraft spare parts, repairable aircraft engine parts and fuel.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

Share-based payments

The Group operates a number of equity-settled, share-based payment plans, under which the Group awards equity instruments of the Group for services rendered by employees. The fair value of the share-based payment plans is measured at the date of grant using a valuation model provided by external specialists. The resulting cost, as adjusted for the expected and actual level of vesting of the plan, is charged to the Income statement over the period in which the options vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, and accordingly the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous balance sheet date is recognised in the Income statement with a corresponding entry in equity.

Provisions

Provisions are made when an obligation exists for a present liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Employee leaving indemnities and other employee provisions are recorded for flight crew who, meeting certain conditions, have the option of being placed on reserve or of taking early retirement. The Group is obligated to remunerate these employees until they reach the statutory retirement age. The calculation is performed by independent actuaries using the projected unit credit method.

Other employee related provisions are recognised for direct expenditures of business reorganisation such as severance payments (restructuring provisions) where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

Restoration and handback provisions arising on the commencement of a lease are recognised as a provision with a corresponding amount recognised as part of the ROU asset. Any change in estimation relating to such costs are reflected in the ROU asset. Maintenance and handback provisions that occur through usage or through the passage of time are recognised with a corresponding amount recorded over time in the Income statement.

If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the provision. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Revenue recognition

The Group's revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the transportation service has been provided. Passenger tickets are generally paid for in advance of transportation and are recognised, net of discounts, as deferred revenue on ticket sales in current liabilities until the customer has flown. Prior to the impact of COVID-19 on the ability of passengers to utilise the Group's transportation services, unused tickets were recognised as revenue after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends. If as a result of the impact of COVID-19 a flight is cancelled, the passenger is entitled to either a refund, changing to an alternative flight or the receipt of a voucher. Where a voucher is issued, given the relative short period of historical data, no revenue is recognised until either the voucher is redeemed through transportation services or it expires. Revenue is stated net of compensation for flight delays and cancellations, taking into consideration the level of expected claims.

The Group considers whether it is an agent or a principal in relation to transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. The Group acts as an agent where (i) it collects various taxes and fees assessed on the sale of tickets to passengers and remits these to the relevant taxing authorities; and (ii) where it provides interline services to airline partners outside of the Group.

Other revenue including maintenance; handling; hotel and holiday and commissions is recognised as the related performance obligations are satisfied (over time), being where the control of the goods or services are transferred to the customer.

Customer loyalty programmes

The Group operates four loyalty programmes: the British Airways Executive Club, Iberia Plus, Vueling Club and the Aer Lingus Aer Club. The customer loyalty programmes award travellers Avios to redeem for various rewards, primarily redemption travel, including flights, hotels and car hire. Avios are also sold to commercial partners to use in loyalty activity.

The Group has identified several performance obligations associated with the sale of Avios. Revenue associated with brand and marketing services and revenue associated with Avios has been determined based on the relative stand-alone selling price of each of the performance obligations. Revenue associated with brand and marketing services is recognised as the points are issued. Revenue allocated to the Avios is deferred on the balance sheet as a current liability, and recognised when the points are redeemed. When the points are redeemed for products provided by suppliers outside the Group, revenue is recognised in the Income statement net of related costs, as the Group is considered to be an agent in these redemption transactions.

The Group estimates the stand-alone selling price of the brand and marketing performance obligations by reference to the amount that a third party would be prepared to pay in an arm's length transaction for access to comparable brands for the period over which they have access. The stand-alone selling price of Avios is based on the value of the awards for which the points could be redeemed. The Group also recognises revenue associated with the proportion of Avios which are not expected to be redeemed, based on the results of statistical modelling.

Exceptional items

Exceptional items are those that in management's view need to be separately disclosed by virtue of their size or nature and where such presentation is relevant to an understanding of the entity's financial performance. The exceptional items recorded in the Income statement include items such as significant settlement agreements with the Group's pension schemes; significant restructuring; the impact of business combination transactions that do not contribute to the ongoing results of the Group; significant discontinuance of hedge accounting; legal settlements; and the impact of the sale, disposal or impairment of an asset or investment in a business.

Business combination transactions include cash items such as the costs incurred to effect the transaction and non-cash items such as accounting gains or losses recognised through the Income statement, such as bargain purchase gains and step acquisition losses.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. Those loans provided and/or guaranteed by governments that represent below market rates of interest are measured at inception at their fair value and recognised within Borrowings, with the differential to the proceeds received recorded within Deferred income and released to the relevant financial statement caption in the Income statement on a systematic basis. Grants that compensate the Group for expenses incurred are recognised in the Income statement in the relevant financial statement caption on a systematic basis in the periods in which the expenses are recognised.

Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results in the future may differ from judgements and estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Estimates

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a Employee benefit obligations, employee leaving indemnities, other employee related restructuring

At December 31, 2020 the Group recognised €282 million in respect of employee benefit assets (2019: €314 million) and €719 million in respect of employee benefit obligations (2019: €400 million). Further information on employee benefit obligations is disclosed in note 30.

The cost of employee benefit obligations, employee leaving indemnities and other employee related provisions is determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such assumptions are subject to significant uncertainty. The assumptions relating to these schemes are disclosed in note 30. The Group determines the assumptions to be adopted in discussion with qualified actuaries. Any difference between these assumptions and the actual outcome will impact future net assets and total comprehensive income. The sensitivity to changes in pension assumptions is disclosed in note 30.

Under the Group's APS and NAPS defined benefit schemes, increases to pensions are based on the annual Government Pension Increase (Review) Orders, which since 2011 have been based on the Consumer Prices Index (CPI). Additionally, in APS there is provision for the Trustee to pay increases up to the level of the Retail Prices Index (RPI), subject to certain affordability tests. Historically market expectations for RPI could be derived by comparing the prices of UK Government fixed-interest and index-linked gilts, with CPI assessed by considering the Bank of England's inflation target and comparison of the construction of the two inflation indices.

In February 2019, following the UK House of Lords Economic Affairs Committee report on measuring inflation, the National Statistician concluded that the existing methodology was unsatisfactory and proposed a number of options to the UK Statistics Authority (UKSA). In March 2019, the UKSA recommended to the UK Chancellor of the Exchequer that the publication of the RPI cease at a point to be determined in the future and in the intervening period, the RPI be addressed by bringing in the methods of the CPIH (a proposed variant to CPI). In September 2019, the UK Chancellor of the Exchequer announced his intention to consult with the Bank of England and the UKSA on whether to implement these proposed changes to RPI in the period of 2025 to 2030. Following consultation during 2020, on November 25, 2020 the UK Chancellor of the Exchequer and the UKSA confirmed that from February 2030 onwards CPIH will replace RPI with no compensation to holders of index-linked gilts.

Following the Chancellor of the Exchequer's announcement in September 2019 and through to December 31, 2020, market-implied break-even RPI inflation forward rates for periods after 2030 have reduced in the investment market. Therefore, in assessing RPI and CPI from investment market data, allowance has been made for partial alignment between RPI and CPI from 2030 onwards.

On October 26, 2018 the High Court of Justice of England and Wales issued a judgment in a claim between Lloyds Banking Group Pension Trustees Limited as claimant and Lloyds Banking Group plc and others as defendants (collectively referred to as the 'Lloyds Bank case') regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits. The judgment in the Lloyd's Bank case confirmed that all pension schemes were required to equalise, with immediate application, for the effects of unequal Guaranteed Minimum Pension ('GMP') benefits accrued over the period since May 17, 1990 ('GMP equalisation'). On November 20, 2020 the High Court of Justice of England and Wales issued a further judgment requiring all pension schemes, if requested by their individual members, to revisit individual transfer payments made between May 17, 1990 and April 5, 1997 to assess the shortfall, if any, between the original transfer payments and the impact of GMP equalisation. Where a shortfall exists, the pension scheme is required to make an additional payment to the individual member, including interest accrued at 1.0 per cent above the base rate per annum. The APS and NAPS estimated Defined benefit obligations as at December 31, 2020 and December 31, 2019 includes allowance for the estimated effect of GMP equalisation based on the assessments made by the respective APS and NAPS Scheme Actuaries.

Restructuring provisions are estimates of future obligations. The Group exercises judgement in determining the expected direct expenditures of reorganisation based on plans which are sufficiently detailed and advanced.

b Revenue recognition

At December 31, 2020 the Group recognised €5,130 million (2019: €5,486 million) in respect of deferred revenue on ticket sales of which €2,725 million (2019: €1,917 million) related to customer loyalty programmes.

Passenger revenue is recognised when the transportation is provided. At the time of transportation, revenue is also recognised in respect of tickets that are not expected to be used ('unused tickets'). Revenue associated with unused tickets is estimated based on the terms and conditions of the tickets and historical trends.

Revenue associated with the issuance of points under customer loyalty programmes is based on the relative stand-alone selling prices of the related performance obligations (brand, marketing and points), determined using estimation techniques. The transaction price of brand and marketing services is determined using specific brand valuation methodologies. The transaction price of the points is based on the value of the awards for which the points can be redeemed and is reduced to take account of the proportion of the award credits that are not expected to be redeemed by customers. The Group estimates the number of points not expected to be redeemed (using statistical modelling and historical trends) and the mix and fair value of the award credits. A five percentage point change in the assumption of points outstanding and not expected to be redeemed would result in an adjustment to deferred revenue of €100 million, with an offsetting adjustment to revenue and operating profit recognised in the year.

In August 2020, the Group received an upfront payment of €830 million (£754 million) related to the fulfilment of future performance obligations under the renewal of the multi-year commercial partnership with American Express. The Group estimates the number of points expected to issued over the life of the contract and allocates the upfront payment to the relevant performance obligations. At each reporting date, the Group updates its estimate of the number of points expected to be issued over the total contract term and recognises a cumulative catch-up adjustment where necessary. The Group considers that these upfront payments include a significant financing component considering the length of time between the payment and the expected allocation to performance obligations. Accordingly, the transaction price for the contract is discounted using the prevailing market interest rate.

The following three accounting estimates involve a higher degree of judgement or complexity, or are areas where assumptions are significant to the financial statements however these accounting estimates are not major sources of estimation uncertainty that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next year.

c Income taxes

At December 31, 2020 the Group recognised €1,075 million in respect of deferred tax assets (2019: €546 million). Further information on current and deferred tax liabilities is disclosed in note 9.

The Group is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain because it may be unclear how tax law applies to a particular transaction or circumstance. Where the Group determines that it is more likely than not that the tax authorities would accept the position taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability based on either: the Group's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, uses a probability weighted average approach.

The Group recognises deferred income tax assets only to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Management considers past and current operating performance and the future projections of performance laid out in the approved business plan in order to assess the probability of recoverability. The Business plan relies on the use of assumptions, estimates and judgements in respect of future performance and economics.

d Impairment of non-financial assets

At December 31, 2020 the Group recognised €2,390 million (2019: €2,460 million) in respect of intangible assets with an indefinite life, including goodwill. Further information on these assets is included in note 15.

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and intangible assets with indefinite economic lives are tested for impairment annually and at other times when such indicators exist. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which use a weighted average multi-scenario discounted cash flow model. The Group has applied judgement in the weighting of each scenario in the discounted cash flow model and these calculations require the use of estimates in the determination of key assumptions and sensitivities as disclosed in note 15.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

e Residual values and useful lives of assets

At December 31, 2020 the Group recognised €17,531 million (2019: €19,168 million) in respect of property, plant and equipment, including the ROU assets recognised in the year. Further information on these assets is included in note 12 and note 13.

The Group estimates useful lives and residual values of property, plant and equipment, including fleet assets based on network plans and recoverable values. Useful lives and residual values are reassessed annually, taking into consideration the latest fleet plans and other business plan information.

Judgements

a Engineering and other aircraft costs

At December 31, 2020, the Group recognised €1,588 million in respect of maintenance, restoration and handback provisions (2019: €1,675 million). Information on movements on the provision is disclosed in note 24.

The Group has a number of contracts with service providers to replace or repair engine parts and for other maintenance checks. These agreements are complex and generally cover a number of years. The Group exercises judgement in determining the assumptions used to match the consumption of replacement spares and other costs associated with fleet maintenance with the appropriate income statement charge. Aircraft maintenance obligations are based on aircraft utilisation, expected maintenance intervals, future maintenance costs and the aircraft's condition.

b Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. Such judgement includes consideration of fleet plans which underpin approved business plans and historical experience regarding the extension of leases. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances and affects the Group's ability to exercise or not to exercise the option to renew or to terminate. Further information is given in note 13.

New standards, amendments and interpretations

The following amendments and interpretations apply for the first time in 2020, but do not have a material impact on the consolidated financial statements of the Group:

- COVID-19 Related Rent Concessions – amendments to IFRS 16 Leases;
- Amendments to references to the conceptual framework in IFRS standards;
- Definition of a business (amendments to IFRS 3 'Business combinations');
- Definition of material (amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, Changes in accounting estimates and errors'); and
- Interest Rate Benchmark Reform – Amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and measurement' and IFRS 7 'Financial instruments: Disclosures', which conclude on phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements which management believe could impact the Group in future periods. Unless otherwise stated, the Group plans to adopt the following standards, interpretations and amendments on the date they become mandatory:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 effective for periods beginning on or after January 1, 2021;
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 effective for periods beginning on or after January 1, 2022;
- Reference to the Conceptual Framework – Amendments to IFRS 3 effective for periods beginning on or after January 1, 2022;
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37 effective for periods beginning on or after January 1, 2022;
- Annual Improvements to IFRS Standards 2018–2020 effective for periods beginning on or after January 1, 2022; and
- Classification of Liabilities as Current or Non-current Amendments to IAS 1 effective for periods beginning on or after January 1, 2023.

3 Impact of COVID-19 on financial reporting

Significant transactions and critical accounting estimates, assumptions and judgements in the determination of the impact of COVID-19

As a result of COVID-19 the Group has experienced a significant decline in the level of flight activity and does not expect to return to the level of 2019 activity until at least 2023. Accordingly, the Group has applied critical estimation and judgement in the evaluation of the impact of COVID-19 regarding the recognition and measurement of assets and liabilities within the Consolidated financial statements.

Critical accounting estimates, assumptions and judgements – cash flow forecast estimation

The Group has applied estimation and judgement in the evaluation of the impact of COVID-19 on the estimation uncertainty of determining cash flow forecasts as part of the approved Business plans. The details regarding the inputs and assumptions used in the determination of these cash flow forecasts are given in the going concern basis of preparation.

The following critical accounting estimates, assumptions and judgements utilise these cash flow forecasts consistently, which are in some instances significantly different from judgements applied in previous years:

a Discontinuance of hedge accounting

In determining whether hedge accounting is required to be discontinued or to remain in a hedge relationship, judgement is required as to whether a forecast transaction that was previously highly probable continues to be expected to occur or is no longer expected to occur. The Group applied the capacity output from the cash flow forecasts as part of the approved Business plans in order to determine the forecast level of revenue generation and fuel consumption over the periods in which hedge accounting has been applied.

In 2020 the Group recognised a charge arising from such discontinuance of €1,756 million represented by an expense of €62 million relating to revenue foreign currency derivatives, an expense of €1,781 million relating to fuel derivatives and a credit of €87 million related to the associated fuel foreign currency derivatives. These amounts relate to the discontinuance of hedge accounting of the associated foreign currency and fuel derivatives on forecast revenue and fuel consumption. These losses have arisen from the substantial deterioration in demand for air travel caused by COVID-19, which has caused a significant level of hedged passenger revenue transactions and fuel purchases in US dollars to no longer be expected to occur based on the Group's operating forecasts prevailing at the Balance sheet date. The Group's risk management strategy has been to build up these hedges gradually over a three-year period when the level of forecast passenger revenue and fuel consumption were higher than current expectations. Accordingly, the hedge accounting for these transactions has been discontinued and the losses recognised in the Income statement. The exceptional charge relating to revenue derivatives and fuel derivatives has been recorded in the Income statement within Passenger revenue and Fuel, oil and emission charges, respectively.

b Long-term fleet plans and associated impairment

The Group derives long-term fleet plans from the cash flow forecasts arising from the approved business plans. In deriving the long-term fleet plans, the Group applies judgement with respect to consideration of the period of temporary and permanent grounding of fleet assets, the deferral of the delivery of certain aircraft and the assumptions around specific provisions relating to leased fleet assets.

In 2020 the Group recognised an impairment charge of €856 million, represented by an impairment of fleet assets of €837 million and an impairment of other assets of €19 million. The fleet impairment relates to 82 aircraft, their associated engines and rotable inventories that have been stood down permanently and 2 further aircraft which have been impaired down to their recoverable value at December 31, 2020, which includes 32 Boeing 747 aircraft, 23 Airbus A320 aircraft, 15 Airbus A340 aircraft, 4 Airbus A330-200 aircraft, 2 Airbus A318 aircraft, 1 Airbus A321 aircraft, 1 Airbus A319 aircraft, 2 Boeing 777-200 aircraft and 4 Embraer E170 aircraft. Of the fleet impairment, €676 million is recorded within Property, plant and equipment relating to owned aircraft and €161 million is recorded within Right of use assets relating to leased aircraft.

Further, the Group has recognised additional inventory write downs of €71 million and additional specific provisions relating to leased fleet assets of €37 million. The inventory write down expense represents those expendable inventories that, given the asset impairments, are no longer expected to be utilised. The charge relating to the recognition of contractual lease provisions represents the estimation of the additional cost to fulfil the hand back conditions associated with the leased aircraft that have been permanently stood down and impaired.

Further information is given in the Alternative performance measures section, note 12, note 13 and note 24.

c Impairment testing of the Group's cash generating units

Due to the estimation uncertainty of the timing and duration of the recovery from COVID-19, the Group has adopted a weighted average multi-scenario discounted cash flow model derived from the cash flow forecasts from the approved business plans. The Group exercises judgement in determining the weighting between these scenarios in the value-in-use model.

Having undertaken this impairment testing, the Group has not recognised any impairment charge. While no impairment charge is arising, the headroom in the impairment test of the British Airways, Iberia and Aer Lingus cash generating units are particularly sensitive to changes in key assumptions. Further information is given in note 15.

d Recoverability of deferred tax assets

In determining the recoverable amounts of the Group's deferred tax assets, the Group applied the future cash flow projections from the approved business plans. Given the estimation uncertainty of the timing and duration of the recovery from COVID-19, the Group exercises judgement in the determination of cash flows during this recovery and subsequent periods.

As at December 31, 2020, the Group had unrecognised deferred tax assets of €1,337 million relating to tax losses the Group does not reasonably expect to utilise. Further information is given in note 9.

Critical accounting estimates, assumptions and judgements – other transactions
In addition to the estimation uncertainty relating to cash flow forecasts, the Group has applied the following critical accounting estimates, assumptions and judgements that impact the consolidated financial statements:

e Revenue recognition

Historically, where a voucher has been issued to a customer in the event of a flight cancellation, the Group estimated, based on historical evidence, the level of such vouchers that would not be used prior to expiry and recognised revenue accordingly. Due to the significant level of flight cancellations arising from COVID-19 there remains insufficient historical data by which to reliably estimate the amount of these vouchers that will not be used prior to expiry. Accordingly, the Group has not recognised revenue arising from those vouchers issued due to COVID-19 related cancellations until either the voucher is redeemed or it expires.

Significant transactions as a result of COVID-19
The Group has recorded the following additional significant transactions as a result of management actions in response to COVID-19:

f Restructuring costs

As a result of the structural changes to the airline sector, the Group has undertaken significant restructuring activities during 2020 to align the size of the workforce with the expected level of capacity. This has led to the recognition of severance pay of €313 million arising in

British Airways, Aer Lingus, Iberia, and LEVEL and relating to a forecast reduction of employee numbers of approximately 10,500 as at December 31, 2020. This amount excludes those payments associated with restructuring programmes that were approved prior to COVID-19. These restructuring costs have been recorded as a charge to Employee costs. Further information is given in note 24 and the Alternative performance measures section.

g Rights issue

To enhance the liquidity of the Group as a direct result of the impact of COVID-19, on October 2, 2020, the Group raised €2,741 million through a rights issue of 2,979,443 thousand new ordinary shares at a price of 92 € cents per share on the basis of 3 shares for every 2 existing shares. The transaction resulted in an increase of Share capital of €298 million and an increase in Share premium of €2,443 million. Further information is given in note 27.

h Loans and borrowings

To enhance liquidity due to the impact of COVID-19, the Group has entered into a number of financing arrangements during 2020, which have been fully drawn unless otherwise stated, including:

- On March 30, 2020, British Airways extended its US dollar secured Revolving Credit Facility for one year from June 23, 2020 to June 23, 2021. The amount available under the extended facility was €1.18 billion ($1.38 billion) at the time of exercising the extension and as at December 31, 2020 €0.64 billion ($0.79 billion) was available to be drawn;
- On April 12, 2020, British Airways availed itself of the Coronavirus Corporate Finance Facility, issuing commercial paper to the Government of the United Kingdom of €328 million (£298 million) and repayable in April 2021;
- On May 1, 2020, Iberia and Vueling entered into floating rate syndicated financing agreements backed by Spain's ICO for €750 million and €260 million, respectively. The facilities are amortising from April 30, 2023 with maturity in 2025;
- On December 23, 2020 Aer Lingus entered into a floating rate financing agreement with the Ireland Strategic Investment Fund for €75 million. The facility has a three-year term;
- On February 22, 2021, British Airways entered into a 5 year term loan Export Development Guarantee Facility of €2.2 billion (£2.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UKEF.

Further information is given in note 23.

i Renewal of the American Express commercial partnership

Under the renewal of the multi-year commercial partnership with American Express, the Group took into account the liquidity requirements in the light of COVID-19 in negotiating an upfront payment of €830 million (£754 million) related to the fulfilment of future performance obligations, which included the pre-purchase of Avios. This upfront payment has been recorded within Deferred revenue from ticket sales until such time as the fulfilment of the associated performance obligations. Further information is given in note 21.

j Government assistance

Given the significant reduction in operations that have occurred during 2020, the Group has availed itself of the various employee support mechanisms in the jurisdictions in which it operates. This has led to an amount of €344 million being received directly from governments (classified as government grants) and savings of €214 million (classified as government assistance) where employees have been paid directly by their respective governments. Those amounts received in the form of government assistance have been recorded net within Employee costs. Further information is given in note 32.

k Defined benefit pension scheme contributions

On December 18, 2020 British Airways reached agreement with the Trustee of NAPS to defer deficit contributions on an interim basis for the period between October 1, 2020 and January 31, 2021. The deferral of such contributions amounted to €165 million. On February 19, 2021 British Airways reached further agreement with the Trustee of NAPS to defer deficit contributions through to September 30, 2021. The deferral of such contributions will amount to €330 million. Further information is given in note 30 on the deferral of contributions in 2020 and note 34 on the deferral of contributions in 2021.

l Sale and repurchase agreements for emission allowances

The Group typically is either issued with or acquires emissions allowances in advance of the associated flight activity. Due to the unprecedented decline in capacity during 2020, the Group has entered into a number of sale and repurchase agreements for emission allowances, where the Group has sold the excess allowances with a commitment to repurchase them in 2021. As at December 31, 2020, the value of such emission sale and repurchase agreements was €97 million. These sale and repurchase transactions give rise to a liability for the repurchase, which is classified as an other financing liability. Further information is given in note 23a.

m Renegotiation of Air Europa acquisition

On November 4, 2019, the Group entered into an agreement to acquire the entire share capital of Air Europa for €1 billion, subject to receipt of the approval by the European Commission. During the course of 2020 and as a result of the impact COVID-19 has had on both the Group and Air Europa, the Group had been negotiating with the current shareholder of Air Europa regarding amending the agreement to better reflect the current economic environment. On January 19, 2021, the Group announced the successful completion of these negotiations, which has resulted in the reduction of the purchase price to €500 million and deferred this payment until the sixth anniversary of the date of completion of the acquisition conditional on the satisfactory negotiation between Iberia and SEPI regarding the non-financial terms associated with the financial support provided by SEPI to Iberia. The transaction is still subject to approval by the European Commission. Further information is given in note 34.

4 Segment information

a Business segments

The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the IAG Management Committee (IAG MC).

The Group has a number of entities which are managed as individual operating companies including airline and platform functions. Each airline operates its network operations as a single business unit and the IAG MC assesses performance based on measures including operating profit, and makes resource allocation decisions for the airlines based on network profitability, primarily by reference to the passenger markets in which the companies operate. The objective in making resource allocation decisions is to optimise consolidated financial results.

The Group has determined its operating segments based on the way that it treats its businesses and the manner in which resource allocation decisions are made. British Airways, Iberia, Vueling and Aer Lingus have been identified for financial reporting purposes as reportable operating segments. IAG Loyalty and LEVEL are also operating segments but do not exceed the quantitative thresholds to be reportable and management has concluded that there are currently no other reasons why they should be separately disclosed.

The platform functions of the business primarily support the airline operations. These activities are not considered to be reportable operating segments as they either earn revenues incidental to the activities of the Group and resource allocation decisions are made based on the passenger business or are not reviewed regularly by the IAG MC and are included within Other Group companies.

For the year to December 31, 2020

	2020					
€ million	**British Airways**	**Iberia**	**Vueling**	**Aer Lingus**	**Other Group companies[1]**	**Total**
Revenue						
Passenger revenue	3,242	1,148	577	376	169	**5,512**
Cargo revenue	994	224	–	88	–	**1,306**
Other revenue	232	605	5	–	146	**988**
External revenue	4,468	1,977	582	464	315	**7,806**
Inter-segment revenue	90	282	(8)	3	343	**710**
Segment revenue	4,558	2,259	574	467	658	**8,516**
Depreciation and amortisation charge	(1,214)	(370)	(277)	(133)	(84)	**(2,078)**
Impairment charge	(445)	(242)	(68)	(24)	(98)	**(877)**
Operating loss	**(4,378)**	**(1,411)**	**(875)**	**(563)**	**(199)**	**(7,426)**
Exceptional items[2]	(1,778)	(652)	(252)	(202)	(177)	**(3,061)**
Operating loss before exceptional items	**(2,600)**	**(759)**	**(623)**	**(361)**	**(22)**	**(4,365)**
Net non-operating costs						**(384)**
Loss before tax						**(7,810)**
Total assets	17,707	7,009	2,850	1,814	884	**30,264**
Total liabilities	(15,979)	(7,014)	(3,299)	(1,495)	(1,161)	**(28,948)**

1 Includes eliminations on total assets of €14,998 million and total liabilities of €5,100 million.
2 For details on exceptional items refer to the Alternative performance measures section.

For the year to December 31, 2019

	2019					
€ million	British Airways	Iberia	Vueling	Aer Lingus	Other Group companies[1]	Total
Revenue						
Passenger revenue	13,307	4,020	2,437	2,060	644	22,468
Cargo revenue	805	255	–	54	3	1,117
Other revenue	752	912	18	2	237	1,921
External revenue	14,864	5,187	2,455	2,116	884	25,506
Inter-segment revenue	242	458	–	9	575	1,284
Segment revenue	15,106	5,645	2,455	2,125	1,459	26,790
Depreciation, amortisation and impairment	(1,258)	(390)	(250)	(130)	(83)	(2,111)
Operating profit	1,510	497	240	276	90	2,613
Exceptional items[2]	(672)					(672)
Operating profit before exceptional items	2,182	497	240	276	90	3,285
Net non-operating costs						(338)
Profit before tax						2,275
Total assets[3]	22,102	8,733	3,756	2,131	(1,271)	35,451
Total liabilities[3]	(15,235)	(6,940)	(3,354)	(1,320)	(1,773)	(28,622)

1 Includes eliminations on total assets of €14,982 million and total liabilities of €4,603 million.
2 For details on exceptional items refer to the Alternative performance measures section.
3 Total assets and total liabilities at December 31, 2019 have been reclassified for the effects given in note 2.

b Geographical analysis

Revenue by area of original sale

€ million	Year to December 31 2020	2019
UK	**2,390**	8,362
Spain	**1,845**	4,399
USA	**933**	4,379
Rest of world	**2,638**	8,366
	7,806	25,506

Assets by area

December 31, 2020

€ million	**Property, plant and equipment**	**Intangible assets**
UK	**11,313**	**1,251**
Spain	**4,850**	**1,353**
USA	**122**	**15**
Rest of world	**1,246**	**589**
	17,531	**3,208**

December 31, 2019

€ million	Property, plant and equipment	Intangible assets
UK	12,214	1,401
Spain	5,324	1,402
USA	188	19
Rest of world	1,442	620
	19,168	3,442

5 Expenses by nature

Operating result is arrived at after charging

Depreciation, amortisation and impairment of non-current assets:

€ million	**2020**	2019
Depreciation charge on right of use assets	**1,153**	1,153
Depreciation charge on owned assets	**720**	776
Impairment charge on owned property, plant and equipment	**681**	–
Amortisation and impairment of intangible assets	**196**	142
Impairment charge on right of use assets	**161**	–
Depreciation charge on other leasehold interests	**44**	40
	2,955	2,111

Cost of inventories:

€ million	**2020**	2019
Cost of inventories recognised as an expense, mainly fuel	**1,405**	3,242
Impairment charge on inventories[1]	**71**	–
	1,476	3,242

1 For details regarding the impairment charge on inventories refer to note 3.

6 Auditor's remuneration

The fees for audit and non-audit services provided by the auditor of the Group's consolidated financial statements and of certain individual financial statements of the consolidated companies, Ernst & Young S.L., and by companies belonging to Ernst & Young's network, were as follows:

€'000	2020	2019
Fees payable for the audit of the Group and individual accounts	4,180	3,916
Fees payable for other services:		
Audit of the Group's subsidiaries pursuant to legislation	696	632
Other services pursuant to legislation	532	496
Other services relating to taxation	30	3
Other assurance services	350	727
Services relating to working capital review	1,036	1,218
Services relating to corporate finance transactions	370	175
All other services	55	3
	7,249	7,170

7 Employee costs and numbers

€ million	2020	2019
Wages and salaries	2,236	3,334
Social security costs	385	561
Costs related to pension scheme benefits	247	932
Share-based payment (credit)/charge	(8)	34
Other employee costs[1]	700	773
Total employee costs	3,560	5,634

1 Other employee costs include allowances and accommodation for crew.

The number of employees during the year and at December 31 was as follows:

	2020			2019		
	Average number of employees[1]	December 31, 2020 Number of employees	December 31, 2020 Percentage of women	Average number of employees	December 31, 2019 Number of employees	December 31, 2019 Percentage of women
In the air:						
Cabin crew	7,689	17,946	71%	25,774	25,342	71%
Pilots	4,787	7,794	6%	8,217	8,310	6%
On the ground:						
Airports	8,841	14,339	39%	19,689	18,970	39%
Corporate	7,954	11,246	48%	11,798	11,855	48%
Maintenance	5,153	6,410	7%	7,620	7,593	8%
Senior executives	196	193	30%	201	198	30%
	34,620	57,928		73,299	72,268	

1 The average number of employees excludes those employees on furlough, wage support and equivalent schemes, including the Temporary Redundancy Plan arrangements in Spain. For further details see note 32. The total average number of employees including those in these schemes is 65,481.

The number of employees is based on actual headcount. The 2019 figures have been updated to represent actual headcount (rather than manpower equivalent as disclosed in the prior year), and classified according to the updated categories (rather in the categories of senior executives, ground employees and technical crew as disclosed in the prior year), to align with the categories used in the Non-Financial Information Statement.

The average manpower equivalent for 2020 was 60,612 (2019: 66,034), which includes employees on furlough, wage support and equivalent schemes, including Temporary Redundancy Plan arrangements in Spain.

8 Finance costs, income and other non-operating (charges)/credits

a Finance costs

€ million	2020	2019
Interest expense on:		
Bank borrowings	**(45)**	(12)
Asset financed liabilities	**(41)**	(9)
Lease liabilities	**(442)**	(489)
Provisions unwinding of discount	**(14)**	(37)
Other borrowings	**(103)**	(77)
Capitalised interest on progress payments	**8**	17
Other finance costs	**(33)**	(4)
	(670)	(611)

b Finance income

€ million	2020	2019
Interest on interest-bearing deposits	**21**	47
Other finance income	**20**	3
	41	50

c Net financing credit relating to pensions

€ million	2020	2019
Net financing credit relating to pensions	**4**	26

d Other non-operating charges

€ million	2020	2019
Gains/(losses) on sale of property, plant and equipment and investments	**38**	(22)
Credit related to equity investments (note 17)	**1**	3
Share of profits in investments accounted for using the equity method (note 16)	**1**	6
Realised (losses)/gains on derivatives not qualifying for hedge accounting	**(13)**	8
Unrealised (losses)/gains on derivatives not qualifying for hedge accounting	**(31)**	1
	(4)	(4)

9 Tax

a Tax charges

Tax (charge)/credit in the Income statement, Other comprehensive income and Statement of changes in equity:

	2020				2019			
€ million	Income statement	Other comprehensive income	Statement of changes in equity	Total	Income statement	Other comprehensive income	Statement of changes in equity	Total
Current tax								
Movement in respect of prior years	6	–	–	**6**	26	(8)	–	18
Movement in respect of current year	273	(17)	–	**256**	(494)	146	–	(348)
Total current tax	279	(17)	–	**262**	(468)	138	–	(330)
Deferred tax								
Movement in respect of prior years	(8)	–	–	**(8)**	(14)	–	–	(14)
Movement in respect of current year	690	129	(2)	**817**	(79)	(403)	(1)	(483)
Rate change/rate differences	(74)	44	–	**(30)**	1	3	–	4
Total deferred tax	608	173	(2)	**779**	(92)	(400)	(1)	(493)
Total tax	887	156	(2)	**1,041**	(560)	(262)	(1)	(823)

The current tax credit in Other comprehensive income relates to cash flow hedges of €17 million (2019: €16 million) and employee retirement benefit plans of €nil (2019: €154 million).

Tax in the Statement of changes in equity relates to share-based payment schemes of €2 million (2019: €1 million).

Within tax in Other comprehensive income is a tax credit of €92 million (2019: tax credit of €184 million) that may be reclassified to the Income statement and a tax credit of €64 million (2019: tax credit of €165 million) that will not.

b Current tax (liability)/asset

€ million	2020	2019
Balance at January 1	**(6)**	218
Income statement	**279**	(468)
Other comprehensive income	**(17)**	138
Cash	**(45)**	119
Offset against other taxes	**(152)**	–
Exchange movements and other	**(6)**	(13)
Balance at December 31	**53**	(6)
Current tax asset	**101**	186
Current tax liability	**(48)**	(192)
Balance at December 31	**53**	(6)

A tax repayment of €152 million arising from losses carried back to an earlier period was offset, by HMRC, against liabilities arising in relation to other taxes.

c Deferred tax asset/(liability)

€ million	Fixed assets	Leases	Borrowings on right of use assets	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ losses	Share-based payment schemes	Tax loss carried forward and other tax credits	Other temporary differences	Total
Balance at January 1, 2020[1]	(732)	(195)	24	312	323	70	19	401	34	**256**
Income statement	116	(76)	(2)	(120)	3	–	(6)	643	50	**608**
Other comprehensive income	–	–	–	3	(4)	118	–	56	–	**173**
Statement of changes in equity	–	–	–	–	–	–	(2)	–	–	**(2)**
Exchange movements and other	27	23	(1)	(1)	(24)	7	(1)	(10)	(20)	**–**
Balance at December 31, 2020	**(589)**	**(248)**	**21**	**194**	**298**	**195**	**10**	**1,090**	**64**	**1,035**
Balance at January 1, 2019[1]	(712)	(148)	31	348	545	234	16	411	31	756
Income statement	4	(26)	(7)	(52)	(7)	–	5	(10)	1	(92)
Other comprehensive income	–	–	–	13	(240)	(173)	–	–	–	(400)
Statement of changes in equity	–	–	–	–	–	–	(1)	–	–	(1)
Exchange movements and other	(24)	(21)	–	3	25	9	(1)	–	2	(7)
Balance at December 31, 2019[1]	(732)	(195)	24	312	323	70	19	401	34	256

€ million	2020	2019[1]
Deferred tax asset	**1,075**	546
Deferred tax liability	**(40)**	(290)
Balance at December 31	**1,035**	256

1 Deferred taxes arising on Employee benefit plans at December 31, 2019 and January 1, 2019 have been reclassified for the effects given in note 2.

The deferred tax assets mainly arise in Spain and the UK and are expected to reverse beyond one year. Recognition of the deferred tax assets is supported by the expected reversal of deferred tax liabilities in corresponding periods, and projections of operating performance laid out in the Management approved business plans.

d Reconciliation of the total tax charge in the income statement

The tax credit/(charge) is calculated at the domestic rates applicable to (losses)/profits in the country in which the (losses)/profits arise. The tax credit (2019: charge) on the loss for the year to December 31, 2020 (2019: profit) is lower (2019: higher) than the notional tax credit (2019: charge). The differences are explained below:

€ million	2020	2019
Accounting (loss)/profit before tax	(7,810)	2,275
Weighted average tax credit/(charge) of the Group[1]	1,615	(440)
Unrecognised losses and deductible temporary differences arising in the year	(342)	(11)
Disposal and write down of investments	(83)	-
Effect of tax rate changes	(74)	1
Employee benefit plans accounted for net of withholding tax – recurring	2	7
Employee benefit plans accounted for net of withholding tax – non-recurring	-	(128)
Prior year assets derecognised	(176)	-
Investment incentives	2	11
Effect of lower tax rate in the Canary Islands	(40)	(3)
Movement in respect of prior years	(2)	12
Non-deductible expenses – recurring items	(22)	(14)
Other items	7	5
Tax credit/(charge) in the income statement	**887**	(560)

1 The expected tax credit/(charge) is calculated by aggregating the expected tax charges arising in each company in the Group and changes each year as tax rates and profit mix change. The corporate tax rates for the Group's main countries of operation are Spain 25% (2019: 25%), the UK 19% (2019: 19%) and Ireland 12.5% (2019: 12.5%).

e Payroll related taxes and UK Air Passenger Duty

The Group was also subject to other taxes paid during the year which are as follows:

€ million	2020	2019
Payroll related taxes	400	555
UK Air Passenger Duty	307	967
	707	1,522

f Factors that may affect future tax charges

Unrecognised deductible temporary differences and losses

€ million	2020	2019
Income tax losses		
Spanish corporate income tax losses	848	11
Openskies SASU trading losses	450	249
UK trading losses	39	25
	1,337	285
Other losses and temporary differences		
UK capital losses	350	335
Spanish deductible temporary differences	1,287	36
Irish capital losses	25	25
	1,662	396

None of the unrecognised temporary differences have an expiry date.

Unrecognised temporary differences – investment in subsidiaries and associates

No deferred tax liability has been recognised in respect of €547 million (2019: €2,959 million) of temporary differences relating to subsidiaries and associates. The Group either controls the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future or no tax consequences would arise from their reversal to a material extent.

Tax rate changes

A reduction in the UK corporation tax rate to 17 per cent (effective April 1, 2020) was substantively enacted on September 6, 2016. This reduction from 19 per cent to 17 per cent was reversed in Finance Act 2020, which has led to the remeasurement of deferred tax balances and will increase the Group's future current tax charge accordingly.

g Tax related contingent liabilities

The Group has certain contingent liabilities, across all taxes, which at December 31, 2020 amounted to €166 million (December 31, 2019: €165 million). No material losses are likely to arise from such contingent liabilities. The tax related contingent liabilities include the following:

Merger gain

Following tax audits covering the period 2011 to 2014, the Spanish Tax Authorities issued a corporate income tax assessment to the Company regarding the merger in 2011 between British Airways and Iberia. The maximum exposure in this case is €92 million (2019: €90 million), being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to December 31, 2020.

The Company appealed the assessment to the *Tribunal Económico-Administrativo Central* or 'TEAC' (Central Administrative Tax Tribunal). On October 23, 2019 the TEAC ruled in favour of the Spanish Tax Authorities. The Company subsequently appealed this ruling to the *Audiencia Nacional* (National High Court) on December 20, 2019, and on July 24, 2020 filed submissions in support of its case. The Company does not expect a hearing at the National High Court until 2022 at the earliest.

The Company disputes the technical merits of the assessment and ruling of the TEAC, both in terms of whether a gain arose and in terms of the quantum of any gain. The Company believes that it has strong arguments to support its appeals. The Company does not consider it appropriate to make a provision for these amounts and accordingly has recognised this matter as a contingent liability.

10 Earnings per share

€ million	**2020**	2019
(Losses)/earnings attributable to equity holders of the parent for basic (losses)/earnings	**(6,923)**	1,715
Interest expense on convertible bonds	**-**	26
Diluted (losses)/earnings attributable to equity holders of the parent and diluted (losses)/earnings per share	**(6,923)**	1,741

	2020 Number '000	2019 Number '000[1]
Weighted average number of ordinary shares in issue[2]	**3,528,052**	3,055,638
Assumed conversion on convertible bonds	**-**	59,398
Dilutive employee share schemes outstanding	**-**	22,305
Weighted average number for diluted earnings per share	**3,528,052**	3,137,341

€ cents	**2020**	2019[1]
Basic earnings per share	**(196.2)**	56.1
Diluted earnings per share	**(196.2)**	55.5

1 Earnings per share information has been restated for the comparative period presented, by adjusting the weighted average number of shares to include the impact of the rights issue (note 27). The discount element inherent in the rights issue has been accounted for as a bonus issue of 1,071,565 thousand shares in 2019.
2 In 2020, includes 734,657 thousand shares as the weighted average impact for 2,979,443 thousand new ordinary shares issued through the rights issue (note 27).

The effect of the assumed conversion of the IAG €500 million convertible bond 2022 and outstanding employee share schemes is antidilutive for the year to December 31, 2020, and therefore has not been included in the diluted earnings per share calculation.

The calculation of basic and diluted earnings per share before exceptional items is included in the Alternative performance measures section.

11 Dividends

€ million	**2020**	2019
Cash dividend declared		
Interim dividend for 2019 of 14.5 € cents per share	**-**	288
Final dividend for 2019 of 17.0 € cents per share	**-**	337
Special dividend for 2018 of 35.0 € cents per share	**-**	695

Proposed dividends on ordinary shares are subject to approval at the Annual Shareholders' Meeting and, subject to approval, are recognised as a liability on that date.

As a result of the impact of COVID-19, on April 2, 2020, the Board of Directors of the Group resolved to withdraw the proposal to the subsequent Annual Shareholders' Meeting to pay a final dividend for 2019 of 17.0 € cents per share.

The dividend paid in the year to December 31, 2020 of €53 million relates to the withholding tax on the 2019 interim dividend, which was proposed in October 2019.

12 Property, plant and equipment

€ million	Fleet	Property	Equipment	Total
Cost				
Balance at January 1, 2019	25,296	2,923	1,505	29,724
Additions	3,946	67	147	4,160
Modification of leases	128	94	–	222
Disposals	(1,319)	(85)	(71)	(1,475)
Reclassifications	44	–	(44)	–
Exchange movements	1,287	163	68	1,518
Balance at December 31, 2019	29,382	3,162	1,605	34,149
Additions	2,854	84	32	**2,970**
Modification of leases	21	16	(1)	**36**
Disposals	(3,878)	(95)	(50)	**(4,023)**
Reclassifications	(4)	8	(4)	**–**
Exchange movements	(1,439)	(193)	(81)	**(1,713)**
December 31, 2020	**26,936**	**2,982**	**1,501**	**31,419**
Depreciation and impairment				
Balance at January 1, 2019	10,776	1,078	948	12,802
Depreciation charge for the year	1,710	169	90	1,969
Disposals	(447)	(63)	(57)	(567)
Reclassifications	8	–	(8)	–
Exchange movements	660	65	52	777
Balance at December 31, 2019	12,707	1,249	1,025	14,981
Depreciation charge for the year	1,659	165	93	**1,917**
Impairment charge for the year[1]	820	–	22	**842**
Disposals	(2,886)	(52)	(44)	**(2,982)**
Exchange movements	(729)	(80)	(61)	**(870)**
December 31, 2020	**11,571**	**1,282**	**1,035**	**13,888**

1 For details regarding the impairment charge on fleet assets refer to note 3 and the Alternative performance measures section. The impairments principally arose from the permanent grounding of specific fleet assets and accordingly their full net book value was impaired. However, certain fleet assets have been impaired down to their fair value, which was determined based on independent appraisals of their market value.

	Fleet	Property	Equipment	Total
Net book values				
December 31, 2020	**15,365**	**1,700**	**466**	**17,531**
December 31, 2019	16,675	1,913	580	19,168
Analysis at December 31, 2020				
Owned	5,457	920	382	**6,759**
Right of use assets (note 13)	9,124	695	56	**9,875**
Progress payments	710	85	28	**823**
Assets not in current use	74	–	–	**74**
Property, plant and equipment	**15,365**	**1,700**	**466**	**17,531**
Analysis at December 31, 2019				
Owned	5,321	1,028	460	6,809
Right of use assets (note 13)	9,746	774	68	10,588
Progress payments	1,525	110	52	1,687
Assets not in current use	83	1	–	84
Property, plant and equipment	16,675	1,913	580	19,168

The net book value of property comprises:

€ million	**2020**	2019
Freehold	**485**	560
Right of use assets (note 13)	**695**	774
Long leasehold improvements > 50 years	**297**	321
Short leasehold improvements < 50 years	**223**	258
Property	**1,700**	1,913

At December 31, 2020, long-term borrowings of the Group are secured on owned fleet assets with a net book value of €2,794 million (2019: €1,576 million).

13 Leases

a Amounts recognised in the Consolidated balance sheet

Property, plant and equipment includes the following amounts relating to right of use assets:

€ million	Fleet	Property	Equipment	Total
Cost				
Balance at January 1, 2019	12,491	734	119	13,344
Additions	1,039	13	16	1,068
Modifications of leases	128	94	–	222
Disposals	(23)	–	–	(23)
Reclassifications[1]	(290)	(4)	(16)	(310)
Exchange movements	509	45	4	558
December 31, 2019	13,854	882	123	14,859
Additions	1,194	58	1	**1,253**
Modifications of leases	21	16	(1)	**36**
Disposals	(77)	(6)	(22)	**(105)**
Reclassifications[1]	(389)	–	3	**(386)**
Exchange movements	(595)	(57)	(5)	**(657)**
December 31, 2020	**14,008**	**893**	**99**	**15,000**
Depreciation and impairment				
Balance at January 1, 2019	3,056	–	36	3,092
Depreciation charge for the year	1,032	104	17	1,153
Disposals	(21)	–	–	(21)
Reclassifications[1]	(123)	–	–	(123)
Exchange movements	164	4	2	170
December 31, 2019	4,108	108	55	4,271
Depreciation charge for the year	1,035	103	15	**1,153**
Impairment charge for the year[2]	161	–	–	**161**
Disposals	(53)	(5)	(22)	**(80)**
Reclassifications[1]	(166)	–	(3)	**(169)**
Exchange movements	(201)	(8)	(2)	**(211)**
December 31, 2020	**4,884**	**198**	**43**	**5,125**
Net book value				
December 31, 2020	**9,124**	**695**	**56**	**9,875**
December 31, 2019	9,746	774	68	10,588

1 Amounts with a net book value of €217 million (2019: €187 million) were reclassified from ROU assets to Owned Property, plant and equipment at the cessation of the respective leases.
2 For details regarding the impairment charge on fleet assets refer to note 3 and the Alternative performance measures section.

Interest-bearing long-term borrowings includes the following amount relating to lease liabilities:

€ million	**2020**	2019
January 1	**11,046**	11,123
Additions	**1,179**	1,017
Modifications of leases	**20**	182
Repayments	**(1,919)**	(1,941)
Interest expense	**442**	489
Exchange movements	**(744)**	176
December 31	**10,024**	11,046
Current	**1,560**	1,694
Non-current	**8,464**	9,352

b Amounts recognised in the Consolidated income statement

€ million	2020	2019
Amounts not included in the measurement of lease liabilities		
Variable lease payments	1	28
Expenses relating to short-term leases	42	74
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	-	1
Amounts expensed as a result of the recognition of ROU assets and lease liabilities		
Interest expense on lease liabilities	442	489
Gain arising from sale and leaseback transactions	(10)	(1)
Depreciation charge for the year	1,153	1,153
Impairment charge for the year	161	-

During 2020 the IASB issued 'COVID-19 related rent concessions – amendment to IFRS 16 Leases' to provide a practical expedient to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions for those lease modifications arising as a direct result of COVID-19. The Group has applied this practical expedient to all such modifications in the preparation of the consolidated financial statements. The net impact on the Income statement for 2020 has been a credit of €2 million reflecting the changes to lease payments that arose from such concessions.

c Amounts recognised in the Consolidated cash flow statement

The Group had total cash outflows for leases of €1,997 million in 2020 (2019: €2,057 million).

The Group had total cash inflows associated with sale and leaseback transactions of €898 million (2019: €824 million).

The Group is exposed to future cash outflows (on an undiscounted basis) as at December 31, 2020, for which no amount has been recognised in relation to leases not yet commenced to which the Group is committed of €183 million (2019: €787 million).

d Maturity profile of the lease liabilities.

The maturity profile of the lease liabilities is disclosed in note 25e.

e Extension options

The Group has certain leases which contain extension options exercisable by the Group prior to the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options.

The Group is exposed to future cash outflows (on an undiscounted basis) as at December 31, 2020, for which no amount has been recognised, for potential extension options of €998 million (2019: €871 million) due to it not being reasonably certain that these leases will be extended.

14 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to €10,545 million (December 31, 2019: €12,830 million). The majority of capital expenditure commitments are denominated in US dollars, and as such are subject to changes in exchange rates.

The outstanding commitments include €10,485 million for the acquisition of 26 Airbus A320s (from 2021 to 2025), 38 Airbus A321s (from 2021 to 2024), 1 Airbus A330-300 (in 2021), 26 Airbus A350s (from 2021 to 2024), 18 Boeing 777-9s (from 2024 to 2027), 10 Boeing 787-10s (from 2021 to 2024) and 2 Embraer E190s (in 2021). The Group has certain rights to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at December 31, 2020.

15 Intangible assets and impairment review

a Intangible assets

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights[1]	Software	Other	Total
Cost							
Balance at January 1, 2019	595	451	253	1,559	1,116	211	4,185
Additions	–	–	–	5	232	120	357
Disposals	–	–	–	–	(28)	(55)	(83)
Exchange movements	3	–	–	52	56	6	117
Balance at December 31, 2019	598	451	253	1,616	1,376	282	4,576
Additions	–	–	–	–	141	51	**192**
Disposals	–	–	–	–	(18)	(121)	**(139)**
Reclassifications	–	–	–	–	43	(46)	**(3)**
Exchange movements	(5)	–	–	(61)	(68)	(5)	**(139)**
December 31, 2020	**593**	**451**	**253**	**1,555**	**1,474**	**161**	**4,487**
Amortisation and impairment							
Balance at January 1, 2019	249	–	–	106	577	55	987
Amortisation charge for the year	–	–	–	6	131	5	142
Disposals	–	–	–	–	(28)	–	(28)
Exchange movements	–	–	–	3	30	–	33
Balance at December 31, 2019	249	–	–	115	710	60	1,134
Amortisation charge for the year	–	–	–	6	151	4	**161**
Impairment charge for the year	–	–	–	15	20	–	**35**
Disposals	–	–	–	–	(7)	–	**(7)**
Exchange movements	–	–	–	(4)	(38)	(2)	**(44)**
December 31, 2020	**249**	**–**	**–**	**132**	**836**	**62**	**1,279**
Net book values							
December 31, 2020	**344**	**451**	**253**	**1,423**	**638**	**99**	**3,208**
December 31, 2019	349	451	253	1,501	666	222	3,442

1 The net book value includes non-UK and non-EU based landing rights of €88 million (2019: €94 million) that have a definite life. The remaining life of these landing rights is 15 years.

b Impairment review

The carrying amounts of intangible assets with indefinite life and goodwill allocated to cash generating units (CGUs) of the Group are:

€ million	Goodwill	Landing rights	Brand	Customer loyalty programmes	Total
2020					
Iberia					
January 1 and December 31, 2020	–	423	306	–	**729**
British Airways					
January 1, 2020	49	816	–	–	**865**
Exchange movements	(5)	(53)	–	–	**(58)**
December 31, 2020	44	763	–	–	**807**
Vueling					
January 1 and December 31, 2020	28	94	35	–	**157**
Aer Lingus					
January 1 and December 31, 2020	272	62	110	–	**444**
IAG Loyalty					
January 1 and December 31, 2020	–	–	–	253	**253**
Other CGUs					
January 1, 2020	–	12	–	–	**12**
Impairment charge for the year	–	(12)	–	–	**(12)**
December 31, 2020	–	–	–	–	**–**
December 31, 2020	**344**	**1,342**	**451**	**253**	**2,390**

€ million	Goodwill	Landing rights	Brand	Customer loyalty programmes	Total
2019					
Iberia					
January 1 and December 31, 2019	–	423	306	–	729
British Airways					
January 1, 2019	46	767	–	–	813
Exchange movements	3	49	–	–	52
December 31, 2019	49	816	–	–	865
Vueling					
January 1, 2019	28	89	35	–	152
Additions	–	5	–	–	5
December 31, 2019	28	94	35	–	157
Aer Lingus					
January 1 and December 31, 2019	272	62	110	–	444
IAG Loyalty					
January 1 and December 31, 2019	–	–	–	253	253
Other CGUs					
January 1 and December 31, 2019	–	12	–	–	12
December 31, 2019	349	1,407	451	253	2,460

Basis for calculating recoverable amount

The recoverable amounts of Group's CGUs have been measured based on their value-in-use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the going concern section of note 2, with a weighting of 70 per cent to the base case and 30 per cent to the downside case. Cash flow projections are based on the business plans approved by the relevant operating companies covering a three-year period. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using each CGU's pre-tax discount rate.

Annually the relevant operating companies prepare and approve three-year business plans, and the Board approved the Group three-year business plan in the fourth quarter of the year. The business plan cash flows used in the value-in-use calculations reflect the Group's estimated climate related impacts that are foreseeable and reflect all restructuring of the business where relevant that has been approved by the Board and which can be executed by Management under existing agreements.

Key assumptions

The value-in-use calculations for each CGU reflected the increased risks arising from COVID-19, including updated projected cash flows for the decreased activity from 2021 through to the end of 2023 and an increase in the pre-tax discount rates to incorporate increased equity market volatility. For each of the Group's CGUs the key assumptions used in the value-in-use calculations are as follows:

	2020				
Per cent	**British Airways**	**Iberia**	**Vueling**	**Aer Lingus**	**IAG Loyalty**
Operating margin	**(20)-16**	**(12)-11**	**(22)-12**	**(14)-13**	**25-27**
ASK as a proportion of 2019[1]	**45-95**	**49-98**	**46-107**	**40-100**	**n/a**
Long-term growth rate	**2.1**	**2.0**	**1.8**	**1.9**	**2.0**
Pre-tax discount rate	**11.2**	**11.6**	**11.5**	**10.4**	**10.3**

1 In prior periods the Group applied the average ASK growth per annum as a key assumption. Given the impact of COVID-19, the Group has presented ASKs as a proportion of the level of ASKs achieved in 2019, prior to the application of the terminal value calculation.

	2019				
Per cent	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty
Operating margin	15	10-15	10-14	13-15	20-23
Average ASK growth per annum	2-4	3	1-5	2-11	n/a
Long-term growth rate	2.2	1.8	1.5	1.8	1.8
Pre-tax discount rate	8.0	9.1	9.4	8.0	8.5

Jet fuel price ($ per MT)	Within 12 months	1-2 years	2-3 years	3 years and thereafter
2020	**373**	**420**	**449**	**449**
2019	639	612	598	598

Forecast ASKs reflect the range of ASKs as a percentage of the 2019 actual ASKs over the forecast period, based on planned network growth and taking into account Management's expectation of the market.

The long-term growth rate is calculated for each CGU based on the forecast weighted average exposure in each primary market using gross domestic product (GDP) (source: Oxford Economics). The airlines' network plans are reviewed annually as part of the Business plan and reflect Management's plans in response to specific market risk or opportunity.

Pre-tax discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculation is based on the circumstances of the airline industry, the Group and the CGU. It is derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines. The cost of equity is derived from the expected return on investment by airline investors and the cost of debt is derived from both market data and the Group's existing debt structure. CGU specific risk is incorporated by applying individual beta factors which are evaluated annually based on available market data. The pre-tax discount rate reflects the timing of future tax flows.

Jet fuel price assumptions are derived from forward price curves in the fourth quarter of each year and sourced externally. The cash flow forecasts reflect these price increases after taking into consideration of level of fuel derivatives and their associated prices that the Group has in place.

Summary of results

At December 31, 2020 Management reviewed the recoverable amount of each of the CGUs and concluded the recoverable amounts exceeded the carrying values.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered for each CGU, where applicable, which include reducing the operating margin by 2 per cent in each year, ASKs by 5 per cent in each year, long-term growth rates in the terminal value calculation to zero, increasing pre-tax discount rates by 2.5 percentage points, changing the weighting of the base case and the downside case to be 100 per cent weighted towards the downside case, and increasing the fuel price by 40 per cent. These sensitivities, in part, incorporate the potential impact that climate related risks would have on the Group.

For the British Airways, Iberia and Aer Lingus CGUs, while the recoverable amounts are estimated to exceed the carrying amounts by €8,702 million, €1,701 million and €1,348 million, respectively, the recoverable amounts would be below the carrying amounts when applying reasonable possible changes in assumptions in each of the following scenarios:

- *British Airways*: (i) if ASKs had been five per cent lower combined with a fuel price increase of 19 per cent; and (ii) if the fuel price had been 36 per cent higher;
- *Iberia*: (i) if ASKs had been five per cent lower combined with a reduction of the long-term growth rate to 0.2 per cent; and (ii) if operating margin had been two per cent lower combined with a reduction of the long-term growth rate to 1.7 per cent; (iii) if ASKs had been five per cent lower combined with a fuel price increase of 8 per cent; and (iv) if the fuel price had been 20 per cent higher; and
- *Aer Lingus*: (i) if ASKs had been five per cent lower combined with a fuel price increase of 26 per cent.

For the remainder of the reasonable possible changes in key assumptions applied to the British Airways, Iberia and Aer Lingus CGUs and for all the reasonable possible changes in key assumptions applied to the remaining CGUs, no impairment arises.

For impairment charges recognised in relation to landing rights and fleet assets stood down permanently at December 31, 2020, refer to note 3 and the Alternative performance measures section.

16 Investments

a Investments in subsidiaries

The Group's subsidiaries at December 31, 2020 are listed in the Group investments section.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly do not differ from the proportion of ordinary shares held. There have been no significant changes in ownership interests of subsidiaries during the year.

The total non-controlling interest at December 31, 2020 is €6 million (2019: €6 million).

British Airways Employee Benefit Trustee (Jersey) Limited, a wholly-owned subsidiary of British Airways, governs the British Airways Plc Employee Share Ownership Trust (the Trust). The Trust is not a legal subsidiary of IAG; however, it is consolidated within the Group results.

b Investments in associates and joint ventures

The share of assets, liabilities, revenue and profit of the Group's associates and joint ventures, which are included in the Group's financial statements, are as follows:

€ million	2020	2019
Total assets	**73**	122
Total liabilities	**(50)**	(92)
Revenue	**22**	112
Profit for the year	**1**	6

The detail of the movement in Investment in associates and joint ventures is shown as follows:

€ million	2020	2019
At beginning of year	**31**	31
Share of retained profits	**1**	6
Dividends received	**(3)**	(5)
Exchange movements	**–**	(1)
	29	31

At December 31, 2020 there are no restrictions on the ability of associates or joint ventures to transfer funds to the parent and there are no related contingent liabilities.

At both December 31, 2020 and December 31, 2019 the investment in Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. exceeded 50 per cent ownership by the Group (50.5 per cent). The entity is treated as a joint venture as decisions regarding its strategy and operations require the unanimous consent of the parties who share control, including IAG.

17 Other equity investments

Other equity investments include the following:

€ million	2020	2019
Listed securities		
Comair Limited	**–**	10
Unlisted securities	**29**	72
	29	82

The credit relating to other equity investments was €1 million (2019: €3 million).

18 Trade and other receivables

€ million	2020	2019
Amounts falling due within one year		
Trade receivables	**682**	2,368
Provision for expected credit loss	**(125)**	(113)
Net trade receivables	**557**	2,255
Prepayments and accrued income	**596**	1,040
Other non-trade receivables	**196**	274
	1,349	3,569
Amounts falling due after one year		
Prepayments and accrued income	**226**	258
Other non-trade receivables	**2**	15
	228	273

Movements in the provision for expected credit loss were as follows:

€ million	2020	2019
At beginning of year	**113**	98
Provided during the year	**18**	22
Released during the year	**(2)**	(1)
Receivables written off during the year	**(1)**	(8)
Exchange movements	**(3)**	2
	125	113

Trade receivables are generally non-interest-bearing and on 30 days terms (2019: 30 days).

The credit risk exposure on the Group's trade receivables is set out below:

December 31, 2020

€ million	Current	<30 days	30-180 days	180-365 days	> 365 days
Trade receivables	**345**	**114**	**88**	**11**	**124**
Expected credit loss rate	**0.9%**	**0.2%**	**1.1%**	**72.7%**	**91.1%**
Provision for expected credit loss	**3**	**-**	**1**	**8**	**113**

December 31, 2019

€ million	Current	<30 days	30-180 days	180-365 days	> 365 days
Trade receivables	1,411	198	338	78	343
Expected credit loss rate	0.03%	0.2%	0.9%	9.0%	29.7%
Provision for expected credit loss	1	-	3	7	102

19 Cash, cash equivalents and other current interest-bearing deposits

€ million	**2020**	2019
Cash at bank and in hand	**1,882**	2,320
Short-term deposits maturing within three months	**3,892**	1,742
Cash and cash equivalents	**5,774**	4,062
Current interest-bearing deposits maturing after three months	**143**	2,621
Cash, cash equivalents and other interest-bearing deposits	**5,917**	6,683

Cash at bank is primarily held in AAA money market funds and bank deposits. Short-term deposits are for periods up to three months and earn interest based on the floating deposit rates.

At December 31, 2020 the Group had no outstanding bank overdrafts (2019: nil).

Current interest-bearing deposits are made for periods in excess of three months with maturity typically within 12 months and earn interest based on the market rates available at the time the deposit was made.

At December 31, 2020 Aer Lingus held €38 million of restricted cash (2019: €41 million) within interest-bearing deposits maturing after more than three months to be used for employee-related obligations.

a Net debt

Movements in net debt were as follows:

€ million	Balance at January 1, 2020	Cash flows	Exchange movements	New leases and modifications	Non-cash	**Balance at December 31, 2020**
Bank, other loans, asset financed liabilities and other financing liabilities	3,208	2,589	(227)	–	85	**5,655**
Lease liabilities	11,046	(1,536)	(726)	1,179	61	**10,024**
Liabilities from financing activities	14,254	1,053	(953)	1,179	146	**15,679**
Cash and cash equivalents	(4,062)	(1,940)	228	–	–	**(5,774)**
Current interest-bearing deposits	(2,621)	2,366	112	–	–	**(143)**
	7,571	**1,479**	**(613)**	**1,179**	**146**	**9,762**

€ million	Balance at January 1, 2019	Cash flows	Exchange movements	New leases and modifications	Non-cash	Balance at December 31, 2019
Bank, other loans and asset financed liabilities	1,581	1,556	(12)	–	83	3,208
Lease liabilities	11,123	(1,507)	176	1,199	55	11,046
Liabilities from financing activities	12,704	49	164	1,199	138	14,254
Cash and cash equivalents	(3,837)	(85)	(140)	–	–	(4,062)
Current interest-bearing deposits	(2,437)	(103)	(81)	–	–	(2,621)
	6,430	(139)	(57)	1,199	138	7,571

20 Trade and other payables

€ million	2020	2019
Trade creditors[1]	**1,609**	2,311
Other creditors	**679**	1,099
Other taxation and social security	**149**	271
Accruals and deferred income	**373**	663
	2,810	4,344

1 Trade creditors includes €55 million (2019: €nil) due to suppliers that have signed up to supply chain financing programmes offered by a number of partner financial institutions. Under these programmes either or both: (i) the suppliers can elect on an invoice-by-invoice basis to receive a discounted early payment from the partner financial institutions rather than being paid in line with the agreed payment terms; and/or (ii) the Group elects on an invoice-by-invoice basis for the partner financial institution to pay the supplier in line with the agreed payment terms and the Group enters into payment terms with the partner financial institution of up to 120 days with interest incurred at rates between 2.5 per cent and 3.5 per cent.

The Group assesses the arrangement against indicators to assess if liabilities which suppliers have transferred to the partner financial institutions under the supplier financing programmes continue to meet the definition of trade creditors or should be classified as borrowings. The cash flows arising from such arrangements are reported within cash flows from operating activities or within cash flows from financing activities, in the Consolidated cash flow statement, depending on whether the associated liabilities meet the definition of trade creditors or as borrowings.

At December 31, 2020 the liabilities met the criteria of Trade creditors and are excluded from the Net debt table in note 19a.

Average payment days to suppliers – Spanish Group companies

Days	2020	2019
Average payment days for payment to suppliers	**43**	33
Ratio of transactions paid	**36**	32
Ratio of transactions outstanding for payment	**135**	43

€ million	2020	2019
Total payments made	**3,694**	7,165
Total payments outstanding	**293**	114

21 Deferred revenue on ticket sales

€ million	Customer loyalty programmes	Sales in advance of carriage	Total
Balance at January 1, 2020	1,917	3,569	**5,486**
Changes in estimates	–	291	**291**
Revenue recognised in the income statement[1, 2]	(260)	(6,032)	**(6,292)**
Loyalty points issued to customers	361	8	**369**
Cash received from customers[3, 4]	850	4,714	**5,564**
Exchange movements	(143)	(145)	**(288)**
Balance at December 31, 2020	**2,725**	**2,405**	**5,130**
Analysis:			
Current	2,252	2,405	**4,657**
Non-current	473	–	**473**
	2,725	**2,405**	**5,130**

€ million	Customer loyalty programmes	Sales in advance of carriage	Total
Balance at January 1, 2019	1,769	3,066	4,835
Changes in estimates	6	(20)	(14)
Revenue recognised in the income statement[1, 2]	(805)	(22,691)	(23,496)
Loyalty points issued to customers	844	47	891
Cash received from customers[4]	–	23,029	23,029
Exchange movements	103	138	241
Balance at December 31, 2019	1,917	3,569	5,486

1 Where the Group acts as an agent in the provision of redemption products and services to customers through loyalty programmes, or in the provision of interline flights to passengers, revenue is recognised in the Income statement net of the related costs.
2 Included within revenue recognised in the Income statement is an amount of €2,006 million previously held as deferred revenue at January 1, 2020 (at January 1, 2019: €3,361 million).
3 Included within cash received from customers is an amount of €830 million received from American Express upon signing of the multi-year commercial partnership renewal with IAG Loyalty and unwinds over the duration of the contract term as the associated performance obligations are fulfilled.
4 Cash received from customers is net of refunds.

Deferred revenue relating to customer loyalty programmes consists primarily of revenue allocated to performance obligations associated with Avios. Avios are issued by the Group's airlines through their loyalty programmes, or are sold to third parties such as credit card providers, who issue them as part of their loyalty programme. Avios do not have an expiry date and can be redeemed at any time in the future. Revenue may therefore be recognised at any time in the future.

Deferred revenue in respect of sales in advance of carriage consists of revenue allocated to airline tickets to be used for future travel. Typically these tickets expire within 12 months after the planned travel date, if they are not used within that time period, however, with the significant disruption caused by the COVID-19 pandemic, the Group has extended the expiry period up to 24 months after the planned travel date, depending on the operating company.

22 Other long-term liabilities

€ million	**2020**	2019
Non-current trade creditors	**49**	6
Accruals and deferred income	**91**	65
	140	71

23 Long-term borrowings

a Current

€ million	**2020**	2019
Bank and other loans	**90**	75
Bank and other loans less than 12 months[1]	**329**	–
Asset financed liabilities	**139**	74
Other financing liabilities[2]	**97**	–
Lease liabilities	**1,560**	1,694
Interest-bearing borrowings	**2,215**	1,843

1 Bank and other loans less than 12 months represents borrowings with a term on inception of less than 12 months in duration.
2 Other financing liabilities include sale and repurchase agreements entered into during the course of 2020 with regard to emission allowances and represents the amount the Group is expected to repurchase during the course of 2021.

b Non-current

€ million	**2020**	2019
Bank and other loans	**2,950**	1,879
Asset financed liabilities	**2,050**	1,180
Lease liabilities	**8,464**	9,352
Interest-bearing borrowings	**13,464**	12,411

Banks and other loans are repayable up to the year 2027. Long-term borrowings of the Group amounting to €2,412 million (2019: €1,520 million) are secured on owned fleet assets with a net book value of €2,794 million (2019: €1,576 million) (note 12). Asset financing liabilities are all secured on the associated aircraft or property, plant and equipment.

On April 12, 2020, British Airways availed itself of the Coronavirus Corporate Finance Facility, issuing commercial paper to the Government of the United Kingdom of €328 million (£298 million) and repayable in April 2021 for a principal value of £300 million.

On May 1, 2020, Iberia and Vueling entered into floating rate syndicated financing agreements backed by Spain's ICO for €750 million and €260 million, respectively. The facilities are amortising from April 30, 2023 with maturity in 2025.

On May 19, 2020, British Airways entered into a syndicated mortgage loan of €639 million ($750 million) secured on specific aircraft. The loan was repaid in full on December 17, 2020.

On June 10, 2020, Iberia entered into a mortgage loan of €194 million ($228 million) secured on specific aircraft. The loan was repaid in full on December 22, 2020.

On December 23, 2020, Aer Lingus entered into a floating rate financing agreement with the Ireland Strategic Investment Fund (ISIF) for €75 million. The facility is repayable in 2023.

In July 2019, two senior unsecured bonds were issued by the Group for an aggregate principal amount of €1 billion; €500 million fixed rate 0.50 per cent due in 2023, and €500 million fixed rate 1.50 per cent due in 2027.

During 2019 the Group early redeemed all of the €500 million 0.25 per cent convertible bonds due in 2020.

In November 2020, the Group entered into an asset-financing structure, under which nine aircraft were sold and leased back by December 31, 2020, with a further five aircraft expected to be sold and leased back during 2021. These transactions mature between 2028 and 2032. This arrangement was transacted through an unconsolidated structured entity, which in turn issued the British Airways Pass Through Certificates, Series 2020-1, commonly referred to as Enhanced Equipment Trust Certificates (EETCs). Accordingly as at December 31, 2020, the Group recognised €472 million of Asset financed liabilities with a further €351 million expected to arise during the aforementioned sale and lease backs during 2021.

In the third quarter of 2019, the Group entered into an asset-financing structure, under which eight aircraft were sold and leased back, during the course of 2019 and 2020, with the transactions maturing between 2029 and 2034. This arrangement was transacted through an unconsolidated structured entity, which in turn issued the British Airways Pass Through Certificates, Series 2019-1. In doing so the Group recognised €725 million of Asset financed liabilities.

As at December 31, 2020, Asset financed liabilities include cumulative amounts of €1,312 million (2019: €416 million) associated with transactions with unconsolidated structured entities having issued EETCs.

c Total borrowings

€ million	2020	2019
Interest-bearing long-term borrowings	**13,464**	12,411
Bank and other loans less than 12 months	**329**	–
Current portion of long-term borrowings	**1,886**	1,843
Interest-bearing long-term borrowings	**15,679**	14,254

d Bank and other loans

€ million	2020	2019
Floating rate ICO guaranteed loans[1]	**1,009**	–
€500 million fixed rate 0.50 per cent bond 2023[2]	**498**	497
€500 million fixed rate 1.50 per cent bond 2027[2]	**497**	496
€500 million fixed rate 0.625 per cent convertible bond 2022[3]	**480**	470
CCFF pound sterling commercial paper[4]	**329**	–
Floating rate euro mortgage loans secured on aircraft[5]	**198**	226
Fixed rate unsecured bonds[6]	**137**	136
Fixed rate unsecured US dollar mortgage loan[7]	**97**	71
ISIF facility[8]	**75**	–
Fixed rate Chinese yuan mortgage loans secured on aircraft[9]	**25**	40
Fixed rate unsecured euro loans with the Spanish State (Department of Industry)[10]	**24**	18
	3,369	1,954
Less current instalments due on bank and other loans	**(419)**	(75)
	2,950	1,879

1 On April 30, 2020, Iberia and Vueling entered into floating rate syndicated financing agreements of €750 million and €260 million respectively. The loans are repayable between 2023 and 2025. The ICO in Spain guarantees 70 per cent of the value of loans. The loans contain a number of non-financial covenants to protect the position of the banks involved, including restrictions on the upstreaming of cash to the rest of the IAG companies.
2 In July 2019, the Group issued two tranches of senior unsecured bonds for an aggregate principal amount of €1 billion, €500 million due July 4, 2023 and €500 million due July 4, 2027. The bonds bear a fixed rate of interest of 0.5 per cent and 1.5 per cent per annum annually payable in arrears, respectively. The bonds were issued at 99.417 per cent and 98.803 per cent of their principal amount, respectively, and, unless previously redeemed or purchased and cancelled, will be redeemed at 100 per cent of their principal amount on their respective maturity dates.
3 Senior unsecured bond convertible into ordinary shares of IAG was issued by the Group in November 2015; €500 million fixed rate 0.625 per cent raising net proceeds of €494 million and due in 2022. The Group holds an option to redeem the convertible bond at its principal amount, together with accrued interest, no earlier than two years prior to the final maturity date. The bond contains dividend protection and a total of 40,306,653 options related to the bond were outstanding at December 31, 2020.
4 On April 12, 2020, British Airways availed itself of the Coronavirus Corporate Finance Facility (CCFF) implemented by the Government of the United Kingdom. Under the CCFF, British Airways issued commercial paper to the government of the United Kingdom of €328 million (£298 million). This loan is repayable in April 2021.
5 Floating rate euro mortgage loans are secured on specific aircraft assets of the Group and bear interest of between 0.04 and 1.01 per cent. The loans are repayable between 2024 and 2027.
6 Total of €200 million fixed rate unsecured bonds between 3.5 to 3.75 per cent coupon repayable between 2022 and 2027.
7 Fixed rate unsecured US dollar mortgage loan bearing interest between 1.38 to 2.86 per cent. The loan is repayable between 2023 and 2026.
8 On December 23, 2020, Aer Lingus entered into a floating rate financing agreement with the Ireland Strategic Investment Fund (ISIF) for €75 million. The facility is repayable in 2023.
9 Fixed rate Chinese yuan mortgage loans are secured on specific aircraft assets of the Group and bear interest of 5.20 per cent. The loans are repayable in 2022.
10 Fixed rate unsecured euro loans with the Spanish State (Department of Industry) bear interest of between nil and 5.68 per cent and are repayable between 2021 and 2028.

e Total loans, lease liabilities, other financing liabilities and asset financed liabilities

Million	2020	2019
Loans		
Bank:		
US dollar	**$121**	$79
Pound sterling	**£299**	£-
Euro	**€1,303**	€380
Chinese yuan	**CNY 201**	CNY 314
	€1,756	€491
Fixed rate bonds:		
Euro	**€1,613**	€1,463
	€1,613	€1,463
Asset financed liabilities		
US dollar	**$2,080**	$996
Euro	**€448**	€319
Japanese yen	**¥4,883**	¥4,867
	€2,189	€1,254
Other financing liabilities		
Euro	**€97**	€-
	€97	€-
Lease liabilities		
US dollar	**$8,436**	$8,408
Euro	**€1,858**	€2,142
Japanese yen	**¥74,734**	¥77,984
Pound sterling	**£608**	£597
	€10,024	€11,046
Total interest-bearing borrowings	**€15,679**	€14,254

24 Provisions

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims provisions	Other provisions	Total
Net book value January 1, 2020	1,675	528	664	82	98	**3,047**
Reclassifications	–	–	–	(22)	–	**(22)**
Provisions recorded during the year	377	320	76	42	31	**846**
Utilised during the year	(213)	(383)	(27)	(9)	(29)	**(661)**
Release of unused amounts	(136)	(27)	–	(7)	(4)	**(174)**
Unwinding of discount	10	–	3	1	–	**14**
Exchange differences	(125)	(6)	(2)	(3)	(2)	**(138)**
Net book value December 31, 2020	**1,588**	**432**	**714**	**84**	**94**	**2,912**
Analysis:						
Current	270	200	62	47	47	**626**
Non-current	1,318	232	652	37	47	**2,286**
	1,588	**432**	**714**	**84**	**94**	**2,912**

Restoration and handback provisions

The provision for restoration and handback costs is maintained to meet the contractual maintenance and return conditions on aircraft held under lease. The provision also includes an amount relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Such costs are capitalised within ROU assets. The provision is long-term in nature, typically covering the leased asset term, which for aircraft is up to 12 years.

During 2020, as part of certain lease modifications, these pre-existing restoration and handback conditions have been removed and the associated provision released to the Income statement.

Within the amounts included in the additions to this provision is €37 million relating to the recognition of contractual lease provisions, representing the estimation of the additional cost to fulfil the handback conditions associated with the aforementioned leased aircraft that have been permanently stood down and impaired.

Restructuring provisions

Included within the restructuring provision is an amount of €72 million that relates to the voluntary and compulsory redundancies arising in British Airways, Aer Lingus and LEVEL from the restructuring plans related to COVID-19. While the majority of employees affected by these restructuring plans had left the Group as at December 31, 2020, there remains a small portion of employees expected to leave the Group over 2021. Refer to note 3 and the Alternative performance measures section for further information.

In addition, the restructuring provision includes provisions for voluntary redundancies including the collective redundancy programme for Iberia's Transformation Plan implemented prior to 2020, which provides for payments to affected employees until they reach the statutory retirement age. The amount provided for has been determined by an actuarial valuation made by independent actuaries, and was based on the same assumptions as those made to determine the provisions for obligations to flight crew below, with the exception of the discount rate, which in this case was 0.00 per cent. The payments related to this provision will continue over the next eight years.

At December 31, 2020, €428 million of this provision related to collective redundancy programmes (2019: €513 million).

Employee leaving indemnities and other employee related provisions

This provision includes employees leaving indemnities relating to staff under various contractual arrangements.

The Group recognises a provision relating to flight crew who, having met certain conditions, have the option of being placed on reserve and retaining their employment relationship until reaching the statutory retirement age, or taking early retirement. The Group is required to remunerate these employees until they reach the statutory retirement age, and an initial provision was recognised based on an actuarial valuation. The provision was reviewed at December 31, 2020 with the use of independent actuaries using the projected unit credit method, based on a discount rate consistent with the iBoxx index of 0.37 per cent and 0.00 per cent (2019: iBoxx index of 0.59 per cent and 0.00 per cent) depending on whether the employees are currently active or not, the PERM/F-2000P mortality tables, and assuming a 1.50 per cent annual increase (2019: 1.50 per cent annual increase) in the Consumer Price Index (CPI). This is mainly a long-term provision. The amount relating to this provision was €654 million at December 31, 2020 (2019: €600 million).

Legal claims provisions

Legal claims provisions include:

- Amounts for multi-party claims from groups of employees on a number of matters related to its operations, including claims for additional holiday pay and for age discrimination; and
- Amounts related to investigations by a number of competition authorities in connection with alleged anti-competitive activity concerning the Group's passenger and cargo businesses.

The final amount required to pay the remaining claims and fines is subject to uncertainty (note 31).

Reclassifications from legal claims provisions include an amount of €22 million relating to the theft of customer data at British Airways in 2018, which following the issue of the penalty notice by the UK Information Commissioner's Office on October 16, 2020 has been reclassified to Other creditors.

Other provisions

Other provisions include a provision for the Emissions Trading Scheme for CO_2 emitted on flights within the EU in excess of the EU Emission Allowances granted.

25 Financial risk management objectives and policies

The Group is exposed to a variety of financial risks: market risk (including fuel price risk, foreign currency risk and interest rate risk), counterparty risk and liquidity risk. Further information on the Group's financial exposure to these risks is disclosed on note 26. The Board approves the key strategic principles and the risk appetite, defining the amount of risk that the Group is prepared to retain. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise the risk of incremental costs arising from adverse financial markets movements.

The Group Treasury department is responsible for the oversight of the financial risk management. Fuel price fluctuations, euro-US dollar and sterling-US dollar exchange rate volatility represents the largest financial risks facing the Group. Other foreign exchange currencies and interest rate risks are also the subject of the Financial Risk Management. The IAG Audit and Compliance Committee approves the Group hedging profile and delegates to the operating company Risk Committee to agree on the degree of flexibility in applying the approved hedging levels. Each operating company Risk Committee meets at least once a month to review and approve a mandate to place hedging cover in the market including the instruments to be used.

The Group Treasury department provides a bi-annual report on the hedging position to the IAG Management Committee and the Audit and Compliance Committee. The Board reviews the strategy and risk appetite once a year.

a Fuel price risk

The Group is exposed to fuel price risk. The Group's fuel price risk management strategy aims to provide protection against sudden and significant increases in fuel prices while aiming that the Group is not competitively disadvantaged in the event of a substantial fall in the price. The Group Treasury Policies determine the list of approved over the counter (OTC) derivative instruments that can be contracted with approved counterparties.

The Group strategy is to hedge a proportion of fuel consumption up to three years within the approved hedging profile.

The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in fuel prices, with all other variables held constant, on result before tax and equity:

2020			2019		
Increase/(decrease) in fuel price per cent	**Effect on result before tax € million**	**Effect on equity € million**	Increase/(decrease) in fuel price per cent	Effect on result before tax € million	Effect on equity € million
30	**189**	**525**	30	-	1,774
(30)	**(219)**	**(664)**	(30)	-	(1,824)

During the year to December 31, 2020, following a substantial fall in the global price of crude oil and associated products, the fair value of such net liability derivative instruments was €778 million at December 31, 2020, representing a loss of €650 million since January 1, 2020, which was recognised in Other comprehensive income. In addition, with the substantial decline in demand for air travel and the grounding of the majority of the fleet during the second quarter of 2020, a significant proportion of the associated hedge relationships were no longer expected to occur and subsequently fuel hedge accounting was discontinued. As a result of this discontinuance, €1,781 million of the losses were reclassified to the Income statement and recognised within Fuel, oil costs and emission costs.

The loss arising from the discontinuance of fuel hedge accounting has been recorded as an exceptional item. Refer to note 3 and the Alternative performance measures section for further details.

b Foreign currency risk

The Group presents its consolidated financial statements in euros, has subsidiaries with functional currencies in euro and pound sterling, and conducts business in a number of different countries. Consequently the Group is exposed to currency risk on revenue, purchases and borrowings that are denominated in a currency other than the functional currency of the entity. The currencies in which these transactions are denominated are primarily euro, US dollar and pound sterling. The Group generates a surplus in most currencies in which it does business. The US dollar is an exception as fuel purchases, maintenance expenses and debt repayments denominated in US dollars typically create a deficit.

The Group has a number of strategies to hedge foreign currency risk. The operational US dollar short position is subject to the same governance structure as the fuel hedging strategy set out above. The Group strategy is to hedge a proportion of up to three years within the approved hedging profile.

Each operating company hedges its net balance sheet assets and liabilities in US dollars through a rolling hedging programme using a number of derivative instruments to minimise the profit and loss volatility arising from revaluation of these items into its functional currency. British Airways utilises its euro, Japanese yen and Chinese yuan debt repayments as a hedge of future euro, Japanese yen and Chinese yuan revenues.

The following table demonstrates the sensitivity of the Group's principal foreign exchange exposure to a reasonable possible change in the US dollar, pound sterling and Japanese yen exchange rates, with all other variables held constant, on result before tax and equity:

	Strengthening/ (weakening) in US dollar rate per cent	Effect on result before tax € million	Effect on equity € million	Strengthening/ (weakening) in pound sterling rate per cent	Effect on result before tax € million	Effect on equity € million	Strengthening/ (weakening) in Japanese yen rate per cent	Effect on result before tax € million	Effect on equity € million
2020	**10**	**885**	**297**	**10**	**162**	**(167)**	**10**	**(10)**	**(42)**
	(10)	**(931)**	**(359)**	**(10)**	**(161)**	**157**	**(10)**	**10**	**42**
2019	10	22	388	10	(23)	(178)	10	(1)	(58)
	(10)	–	(365)	(10)	20	171	(10)	2	58

At December 31, 2020, the fair value of foreign currency net liability derivatives instruments was €321 million, representing a loss of €430 million, since January 1, 2020, which was recognised in Other comprehensive income. Similar to the fuel price risk above, a significant proportion of the hedge relationships associated with fuel foreign currency derivatives and revenue foreign currency derivatives were no longer expected to occur and subsequently were discontinued. As a result of this discontinuance, €116 million of the gains associated with the fuel foreign currency derivatives and €56 million of the losses associated with the revenue foreign currency derivatives were reclassified to the Income statement and recognised within Fuel, oil costs and emission costs and within Passenger revenue, respectively.

The gain arising from the discontinuance of foreign currency hedge accounting has been recorded as an exceptional item. Refer to note 3 and the Alternative performance measures section for further details.

c Interest rate risk

The Group is exposed to changes in interest rates on financial debt, leases, sale and lease backs and on cash deposits.

Interest rate risk on floating rate debt is managed through a list of approved OTC derivative instruments that can be contracted with approved counterparties. After taking into account the impact of these derivatives, 64 per cent of the Group's borrowings were at fixed rates and 36 per cent were at floating rates.

All cash deposits are generally on tenors less than one year. The interest rate is predominantly fixed for the tenor of the deposit.

The following table demonstrates the sensitivity of the Group's interest rate exposure to a reasonable possible change in the US dollar, euro and sterling interest rates, on result before tax and equity:

	Strengthening/ (weakening) in US interest rate Basis points	Effect on result before tax € million	Effect on equity € million	Strengthening/ (weakening) in euro interest rate Basis points	Effect on result before tax € million	Effect on equity € million	Strengthening/ (weakening) in sterling interest rate Basis points	Effect on result before tax € million	Effect on equity € million
2020	**50**	**-**	**-**	**50**	**9**	**(8)**	**50**	**-**	**-**
	(50)	**-**	**-**	**(50)**	**(9)**	**7**	**(50)**	**-**	**-**
2019	50	–	19	50	(2)	16	50	2	–
	(50)	–	(19)	(50)	2	(13)	(50)	(2)	–

For details regarding the Group's management of interest rate benchmark reform, refer to note 25h.

d Counterparty risk

The Group is exposed to the non-performance by its counterparties in respect of financial assets receivable. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty by underlying exposure and by operating company. The underlying exposures are monitored on a daily basis and the overall exposure limit by counterparty is periodically reviewed by using available market information.

The financial assets recognised in the financial statements, net of impairment losses (if any), represent the Group's maximum exposure to credit risk, without taking account any guarantees in place or other credit enhancements.

At December 31, 2020 the Group's credit risk position, allocated by region, in respect of treasury managed cash and derivatives was as follows:

	Mark-to-market of treasury controlled financial instruments allocated by geography	
Region	**2020**	2019
United Kingdom	**53%**	41%
Spain	**3%**	3%
Ireland	**7%**	3%
Rest of Eurozone	**16%**	30%
Rest of world	**21%**	23%

e Liquidity risk

The Group invests cash in interest-bearing accounts, time deposits and money market funds, choosing instruments with appropriate maturities or liquidity to retain sufficient headroom to readily generate cash inflows required to manage liquidity risk. The Group has also committed revolving credit facilities.

At December 31, 2020 the Group had undrawn overdraft facilities of €52 million (2019: €13 million). The Group held undrawn uncommitted money market lines of €nil (2019: €nil).

The Group held undrawn general and committed aircraft financing facilities:

Million	2020 Currency	2020 € equivalent
General facilities[1]		
Euro facilities expiring between January and June 2021	**€126**	**126**
Euro facilities expiring between January and July 2022	**€95**	**95**
US dollar facility expiring June 2021	**$786**	**643**
US dollar facility expiring May 2022	**$50**	**41**
		905
Committed aircraft facilities		
US dollar facility expiring March 2021[2]	**$428**	**351**
US dollar facilities expiring July 2023[3]	**$1,013**	**829**
		1,180

Million	2019 Currency	2019 € equivalent
General facilities[1]		
Euro facilities expiring between January and June 2020	€129	129
US dollar facility expiring June 2020	$1,330	1,196
		1,325
Committed aircraft facilities		
US dollar facilities expiring December 2021[3, 4]	$1,217	1,096

1 The general facilities can be drawn at any time at the discretion of the Group subject to the provision of up to three days' notice of the intended utilisation, depending on the facility.
2 The aircraft facility maturing in 2021 is available for specific committed aircraft deliveries and further information is given in note 23b.
3 The aircraft facilities maturing in 2023 (2019: maturing in 2021) are available for specific committed aircraft deliveries and requires the Group to give three months' notice to the counterparty of its intention to utilise the facilities.
4 The figures relating to the US dollar facilities expiring in December 2021 have been updated to better reflect the amounts available to the Group at December 31, 2019.

The following table analyses the Group's (outflows) and inflows in respect of financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at December 31 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	**Total 2020**
Interest-bearing loans and borrowings:						
Asset financing liabilities	(101)	(97)	(193)	(571)	(1,673)	**(2,635)**
Lease liabilities	(901)	(919)	(1,500)	(4,122)	(5,962)	**(13,404)**
Fixed rate borrowings	(360)	(37)	(631)	(666)	(587)	**(2,281)**
Floating rate borrowings	(78)	(32)	(58)	(1,179)	(41)	**(1,388)**
Other financing liabilities	(97)	–	–	–	–	**(97)**
Trade and other payables	(2,810)	–	–	–	–	**(2,810)**
Derivative financial instruments (assets):						
Forward contracts	73	41	33	8	–	**155**
Fuel derivatives	6	2	1	–	–	**9**
Derivative financial instruments (liabilities):						
Interest rate swaps	(13)	(13)	(25)	(14)	(2)	**(67)**
Forward contracts	(370)	(91)	(115)	(56)	–	**(632)**
Fuel derivatives	(423)	(314)	(108)	(4)	–	**(849)**
December 31, 2020	**(5,074)**	**(1,460)**	**(2,596)**	**(6,604)**	**(8,265)**	**(23,999)**

€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total 2019
Interest-bearing loans and borrowings:						
Asset finance obligations	(56)	(49)	(95)	(289)	(988)	(1,477)
Lease liabilities	(1,073)	(957)	(1,753)	(4,505)	(6,289)	(14,577)
Fixed rate borrowings	(20)	(31)	(46)	(1,158)	(599)	(1,854)
Floating rate borrowings	(13)	(17)	(30)	(110)	(67)	(237)
Trade and other payables	(3,881)	–	1	–	–	(3,880)
Derivative financial instruments (assets):						
Aircraft lease hedges	–	–	–	–	–	–
Interest rate derivatives	1	1	1	2	–	5
Foreign exchange contracts	115	116	157	96	–	484
Fuel derivatives	66	25	12	2	–	105
Derivative financial instruments (liabilities):						
Aircraft lease hedges	–	–	–	–	–	–
Interest rate derivatives	(9)	(19)	(18)	(22)	(1)	(69)
Foreign exchange contracts	(47)	(43)	(62)	(86)	–	(238)
Fuel derivatives	(61)	(73)	(90)	(11)	–	(235)
December 31, 2019	(4,978)	(1,047)	(1,923)	(6,081)	(7,944)	(21,973)

f Offsetting financial assets and liabilities

The Group enters into derivative transactions under ISDA (International Swaps and Derivatives Association) documentation. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

December 31, 2020

€ million	Gross value of financial instruments	Gross amounts set off in the balance sheet[1]	**Net amounts of financial instruments in the balance sheet**	Related amounts not offset in the balance sheet[1]	**Net amount**
Financial assets					
Derivative financial assets	165	(1)	**164**	(13)	**151**
Financial liabilities					
Derivative financial liabilities	1,537	(67)	**1,470**	(37)	**1,433**

1 The Group has pledged cash and cash equivalents as collateral against certain of its derivative financial liabilities. As December 31, 2020, the Group recognised €66 million of collateral (2019: €nil) offset in the balance sheet and €24 million (2019: €nil) not offset in the balance sheet.

December 31, 2019

€ million	Gross value of financial instruments	Gross amounts set off in the balance sheet	Net amounts of financial instruments in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets					
Derivative financial assets	550	42	592	(9)	583
Financial liabilities					
Derivative financial liabilities	580	(42)	538	(9)	529

g Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure, to reduce the cost of capital and to provide returns to shareholders.

The Group monitors capital on the basis of the net debt to EBITDA ratio. For the year to December 31, 2020, the net debt to EBITDA was minus 4.3 times (2019: 1.4 times). The definition and calculation for this performance measure is included in the Alternative performance measures section.

Further detail on liquidity and capital resources and capital risk management is disclosed in the going concern section in note 2.

h Managing interest rate benchmark reform and associated risks

Overview

A reform of major interest rate benchmarks is being undertaken globally, including the replacement of certain interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

Group Treasury monitors and manages the Group's transition to alternative rates. Group Treasury tracks which contracts reference IBOR, whether such contracts will need to be amended, and how to manage communication about IBOR reform with counterparties.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedge relationships. The interest rate swaps have floating legs that are indexed to both US dollar and sterling LIBOR.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at December 31, 2020. As part of this evaluation, the Group has applied the hedging relief provided by the IFRS 9 amendments for IBOR reform phase one. Certain of the Group's hedged items and hedging instruments continue to be indexed to the aforementioned LIBORs. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual. However, certain of these LIBOR cash flow hedging relationships extend beyond the anticipated cessation date. There is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participant's expectations of when the change in rates will occur, which may differ between the hedged item and the hedging instrument.

The Group's exposure to both US dollar and sterling LIBOR designated in hedging relationships had a nominal amount of €775 million as at December 31, 2020.

26 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments at December 31, 2020 and December 31, 2019 by nature and classification for measurement purposes is as follows:

December 31, 2020

	Financial assets				
€ million	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement	Non-financial assets	**Total carrying amount by balance sheet item**
Non-current assets					
Other equity investments	–	29	–	–	**29**
Derivative financial instruments	–	–	42	–	**42**
Other non-current assets	119	10	–	99	**228**
Current assets					
Trade receivables	557	–	–	–	**557**
Other current assets	350	–	–	442	**792**
Derivative financial instruments	–	–	122	–	**122**
Other current interest-bearing deposits	143	–	–	–	**143**
Cash and cash equivalents	5,774	–	–	–	**5,774**

	Financial liabilities				
€ million	Amortised cost	Fair value through Other comprehensive income	Fair value through income statement	Non-financial liabilities	**Total carrying amount by balance sheet item**
Non-current liabilities					
Lease liabilities	8,464	–	–	–	**8,464**
Interest-bearing long-term borrowings	5,000	–	–	–	**5,000**
Derivative financial instruments	–	–	310	–	**310**
Other long-term liabilities	80	–	–	533	**613**
Current liabilities					
Lease liabilities	1,560	–	–	–	**1,560**
Current portion of long-term borrowings	655	–	–	–	**655**
Trade and other payables	2,572	–	–	238	**2,810**
Derivative financial instruments	–	–	1,160	–	**1,160**

December 31, 2019

€ million	Financial assets: Amortised cost	Financial assets: Fair value through Other comprehensive income	Financial assets: Fair value through income statement	Non-financial assets	Total carrying amount by balance sheet item
Non-current assets					
Other equity investments	–	82	–	–	82
Derivative financial instruments	–	–	268	–	268
Other non-current assets	133	–	–	140	273
Current assets					
Trade receivables	2,255	–	–	–	2,255
Other current assets	414	–	–	900	1,314
Derivative financial instruments	–	–	324	–	324
Other current interest-bearing deposits	2,621	–	–	–	2,621
Cash and cash equivalents	4,062	–	–	–	4,062

€ million	Financial liabilities: Amortised cost	Financial liabilities: Fair value through Other comprehensive income	Financial liabilities: Fair value through Income statement	Non-financial liabilities	Total carrying amount by balance sheet item
Non-current liabilities					
Lease liabilities	9,352	–	–	–	9,352
Interest-bearing long-term borrowings	3,059	–	–	–	3,059
Derivative financial instruments	–	–	286	–	286
Other long-term liabilities	12	–	–	59	71
Current liabilities					
Lease liabilities	1,694	–	–	–	1,694
Current portion of long-term borrowings	149	–	–	–	149
Trade and other payables	3,881	–	–	463	4,344
Derivative financial instruments	–	–	252	–	252

b Fair value of financial assets and financial liabilities

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values and using the following methods and assumptions:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Level 1 methodologies (market values at the balance sheet date) were used to determine the fair value of listed asset investments classified as equity investments and listed interest-bearing borrowings.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Derivative instruments are measured based on the market value of instruments with similar terms and conditions at the balance sheet date using forward pricing models. The fair value of the Group's interest-bearing borrowings including leases is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model that considers the present value of the dividend cash flows expected to be generated by the associated assets.

The fair value of cash and cash equivalents, other current interest-bearing deposits, trade receivables, other current assets and trade and other payables approximate their carrying value largely due to the short-term maturities of these instruments.

The carrying amounts and fair values of the Group's financial assets and liabilities at December 31, 2020 are as follows:

€ million	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total	Carrying value Total
Financial assets					
Other equity investments	–	–	29	29	**29**
Derivative financial assets:					
Interest rate swaps[1]	–	1	–	1	**1**
Foreign exchange contracts[1]	–	154	–	154	**154**
Fuel derivatives[1]	–	9	–	9	**9**
Financial liabilities					
Interest-bearing loans and borrowings:					
Asset financed liabilities	–	2,417	–	2,417	**2,189**
Fixed rate borrowings	1,510	560	–	2,070	**2,163**
Floating rate borrowings	–	1,206	–	1,206	**1,206**
Other financing liabilities	–	97	–	97	**97**
Derivative financial liabilities:					
Interest rate derivatives[2]	–	63	–	63	**63**
Foreign exchange contracts[2]	–	620	–	620	**620**
Fuel derivatives[2]	–	787	–	787	**787**

1 Current portion of derivative financial assets is €122 million
2 Current portion of derivative financial liabilities is €1,177 million

The carrying amounts and fair values of the Group's financial assets and liabilities at December 31, 2019 are set out below:

€ million	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total	Carrying value Total
Financial assets					
Other equity investments	10	–	72	82	82
Derivative financial assets:					
Interest rate swaps[1]	–	1	–	1	1
Foreign exchange contracts[1]	–	488	–	488	488
Fuel derivatives[1]	–	103	–	103	103
Financial liabilities					
Interest-bearing loans and borrowings:					
Asset financed liabilities	–	1,623	–	1,623	1,254
Fixed rate borrowings	1,640	136	–	1,776	1,728
Floating rate borrowings	–	226	–	226	226
Derivative financial liabilities:					
Interest rate derivatives[2]	–	67	–	67	67
Foreign exchange contracts[2]	–	240	–	240	240
Fuel derivatives[2]	–	231	–	231	231

1 Current portion of derivative financial assets is €324 million.
2 Current portion of derivative financial liabilities is €252 million.

There have been no transfers between levels of fair value hierarchy during the year.

The financial instruments listed in the previous table are measured at fair value in the consolidated financial statements, with the exception of interest-bearing borrowings, which are measured at amortised cost.

c Level 3 financial assets reconciliation

The following table summarises key movements in Level 3 financial assets:

€ million	2020	2019
Opening balance for the year	**72**	63
Additions	**3**	6
Losses recognised in other comprehensive income	**(44)**	–
Exchange movements	**(2)**	3
Closing balance for the year	**29**	72

d Hedges

Cash flow hedges

At December 31, 2020 the Group's principal risk management activities that were hedging future forecast transactions were:

- Future loan repayments in foreign currency (predominantly US dollar loan repayments), hedging foreign exchange fluctuations on revenue cash inflows. Remeasurement gains and losses on the loans are recognised in equity and transferred to the income statement within revenue when the loan is repaid (generally in instalments over the life of the loan).
- Foreign exchange contracts, hedging foreign currency exchange risk on revenue cash inflows and certain operational payments. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the income statement or balance sheet to match against the related cash inflow or outflow. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the income statement within fuel, oil costs and emissions charges when the future transaction is no longer expected to occur.
- Forward crude, gas oil and jet kerosene derivative contracts, hedging price risk on fuel expenditure. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the income statement within fuel, oil costs and emissions charges to match against the related fuel cash outflow. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the income statement within fuel, oil costs and emissions charges when the future transaction is no longer expected to occur.
- Interest rate contracts, hedging interest rate risk on floating rate debt and certain operational payments.

The amounts included in equity including the periods over which the related cash flows are expected to occur are summarised below:

(Gains)/losses in respect of cash flow hedges included within equity € million	2020	2019
Loan repayments to hedge future revenue	**220**	141
Foreign exchange contracts to hedge future revenue and expenditure[1]	**168**	(80)
Crude, gas oil and jet kerosene derivative contracts[1]	**295**	113
Derivatives used to hedge interest rates[1]	**66**	72
Instruments for which hedge accounting no longer applies[1]	**276**	355
	1,025	601
Related deferred tax credit	**(168)**	(94)
Total amount included within equity	**857**	507

1 The carrying value of derivative instruments recognised in assets and liabilities is analysed in parts a and b above.

The notional amounts of significant financial instruments used as cash flow hedging instruments are set out below:

Notional principal amounts (€ million)	Hedge range	Within 1 year	1-2 years	2-5 years	**Total December 31, 2020**
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pound sterling[1]	1.15 – 1.50	2,402	1,321	442	**4,165**
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros[1]	0.74 – 1.37	1,009	960	155	**2,124**

1 Represents the value of the hedged item.

Notional principal amounts (€ million)	Hedge range	Within 1 year	1-2 years	2-5 years	Total December 31, 2019
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pound sterling[1]	1.17-1.51	3,493	1,810	1,359	6,662
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros[1]	0.74 – 1.39	1,397	1,091	483	2,971

1 Represents the value of the hedged item.

For the year to December 31, 2020 (€ million)	**Amounts recognised in Other comprehensive income[1]**	**Amounts associated with ineffectiveness recognised in the Income statement[2]**	**Discontinuance of hedge accounting reclassified to the Income statement**	**Total recognised (gains)/ losses**	**Other amounts reclassified to the Income statement**	**Amounts reclassified to the Balance sheet**
Loan repayments to hedge future revenue	**123**	**–**	**(22)**	**101**	**(19)**	**–**
Foreign exchange contracts to hedge future revenue and expenditure	**88**	**–**	**54**	**142**	**55**	**32**
Crude, gas oil and jet kerosene derivative contracts	**2,369**	**2**	**(1,757)**	**614**	**(461)**	**–**
Derivatives used to hedge interest rates	**59**	**–**	**–**	**59**	**(30)**	**(32)**
Instruments for which hedge accounting no longer applies	**–**	**–**	**–**	**–**	**(63)**	**–**
	2,639	**2**	**(1,725)**	**916**	**(518)**	**–**

1 Amounts recognised in Other comprehensive income represent gains and losses on the hedging instrument.
2 Ineffectiveness recognised in the Income statement is presented as Realised and Unrealised gains and losses on derivatives not qualifying for hedge accounting within non-operating items.

For the year to December 31, 2019 (€ million)	Amounts recognised in Other comprehensive income[1]	Amounts associated with ineffectiveness recognised in the Income statement[2]	Total recognised (gains)/ losses	Amounts reclassified to the Income statement	Amounts reclassified to the Balance sheet
Loan repayments to hedge future revenue	(106)	–	(106)	(20)	–
Foreign exchange contracts to hedge future revenue and expenditure	20	–	20	99	7
Crude, gas oil and jet kerosene derivative contracts	(622)	8	(614)	(178)	–
Derivatives used to hedge interest rates	56	–	56	(11)	–
Instruments for which hedge accounting no longer applies	(38)	–	(38)	(54)	–
	(690)	8	(682)	(164)	7

1 Amounts recognised in Other comprehensive income represent gains and losses on the hedging instrument.
2 Ineffectiveness recognised in the Income statement is presented as Realised and Unrealised gains and losses on derivatives not qualifying for hedge accounting within non-operating items.

The losses associated with the discontinuance of hedge accounting recognised in the Income statement and the subsequent fair value movements of those derivative instruments recorded in the Income statement through to the earlier of the balance sheet date and the maturity date of the derivative are set out below:

€ million	**2020**	2019
Losses associated with the discontinuance of hedge accounting recognised in the Income statement	**1,725**	–
Fair value movements subsequently recorded in the Income statement	**31**	–
Total effect of discontinuance of hedge accounting in the Income statement[1]	**1,756**	–

1 Refer to note 3 and the Alternative performance measures section.

The Group has no significant fair value hedges at December 31, 2020 and 2019.

27 Share capital, share premium and treasury shares

Allotted, called up and fully paid	Number of shares '000s	Ordinary share capital € million	Share premium € million
January 1, 2019: Ordinary shares of €0.50 each	1,992,033	996	6,022
Special 2018 dividend of €0.35 per share			(695)
January 1, 2020: Ordinary shares of €0.50 each	1,992,033	996	5,327
Share capital reduction		(797)	
Rights issue	2,979,443	298	2,443
December 31, 2020: Ordinary shares of €0.10 each	**4,971,476**	**497**	**7,770**

a Share capital reduction

On September 8, 2020, the Company undertook a share capital reduction of €797 million, that reduced the nominal value of each ordinary share from €0.50 per share to €0.10 per share. A corresponding amount has been recognised within Capital reserves (note 29).

b Rights issue

On October 2, 2020, the Company raised €2,741 million (and incurred related transaction costs of €70 million as detailed in Note 29) through a rights issue of 2,979,443,376 new ordinary shares at a price of 92 € cents per share on the basis of 3 shares for every 2 existing shares.

In accordance with accounting standards, the discount element inherent in the rights issue has been accounted for as a bonus issue of 1,071,565 thousand shares. Earnings per share information (note 10) has been restated for the comparative period presented, by adjusting the weighted average number of shares to include the impact of the bonus shares.

c Treasury shares

A total of 2.6 million shares were issued to employees during the year as a result of vesting of employee share schemes. At December 31, 2020 the Group held 5.1 million shares (2019: 7.7 million) which represented 0.10 per cent of the issued share capital of the Company.

28 Share-based payments

The Group operates share-based payment schemes as part of the total remuneration package provided to employees. These schemes comprise both share option schemes where employees acquire shares at an option price and share award plans whereby shares are issued to employees at no cost, subject to the achievement by the Group of specified performance targets.

a IAG Performance Share Plan

The IAG Performance Share Plan (PSP) is granted to senior executives and managers of the Group who are most directly involved in shaping and delivering business success over the medium to long term. Since 2015, awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. All awards since 2015 have three independent performance measures with equal weighting: Total Shareholder Return (TSR) relative to the STOXX Europe 600 Travel and Leisure Index (for 2020 awards) or MSCI European Transportation Index (for prior to 2020 awards), earnings per share, and Return on Invested Capital.

In 2020, the outstanding PSP awards granted to participants other than Executive Directors from 2018 onwards were modified, and the resulting incremental fair value granted of £1.61 per award is recognised over the remaining vesting period.

b IAG Incentive Award Deferral Plan

The IAG Incentive Award Deferral Plan (IADP) is granted to qualifying employees based on performance and service tests. It will be awarded when an incentive award is triggered subject to the employee remaining in employment with the Group for three years after the grant date. The relevant population will receive 50 per cent of their incentive award up front in cash, and the remaining 50 per cent in shares after three years through the IADP.

c Share-based payment schemes summary

	Outstanding at January 1, 2020 '000s	Granted number '000s	Rights issue adjustment '000s	Lapsed number '000s	Vested number '000s	**Outstanding at December 31, 2020 '000s**	Vested and exercisable December 31, 2020 '000s
Performance Share Plans	19,178	7,388	11,323	3,275	1,814	**32,800**	1,299
Incentive Award Deferral Plans	4,473	1,694	2,795	12	583	**8,367**	14
	23,651	**9,082**	**14,118**	**3,287**	**2,397**	**41,167**	**1,313**

The weighted average share price at the date of exercise of options exercised during the year to December 31, 2020 was £3.89 (2019: not applicable).

The fair value of equity-settled share-based payment plans determined using the Monte-Carlo valuation model, taking into account the terms and conditions upon which the plans were granted, used the following assumptions:

	December 31, 2020	December 31, 2019
Expected share price volatility (per cent)	**35**	35
Expected comparator group volatility (per cent)	**20**	20
Expected comparator group correlation (per cent)	**70**	55
Expected life of options (years)	**4.6**	4.8
Weighted average share price at date of grant (£)	**4.59**	5.67
Weighted average fair value (£)	**1.84**	1.93

Volatility was calculated with reference to the Group's weekly pound sterling share price volatility. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The fair value of the PSP also takes into account a market condition of TSR as compared to strategic competitors. No other features of share-based payment plans granted were incorporated into the measurement of fair value.

The Group recognised a share-based payment charge credit of €8 million for the year to December 31, 2020 (2019: €34 million).

29 Other reserves and non-controlling interests

For the year to December 31, 2020

	Other reserves							
€ million	Unrealised gains and losses[1]	Cost of hedging reserve[2]	Currency translation[3]	Equity portion of convertible bond[4]	Merger reserve[5]	Capital reserves[6]	**Total other reserves**	Non-controlling interest
January 1, 2020	(464)	60	160	62	(2,467)	70	**(2,579)**	6
Other comprehensive loss for the year:								
Cash flow hedges reclassified and reported in net loss:								
Passenger revenue	50	–	–	–	–	–	**50**	–
Fuel and oil costs	356	–	–	–	–	–	**356**	–
Currency differences	18	–	–	–	–	–	**18**	–
Finance costs	12	–	–	–	–	–	**12**	–
Discontinuance of hedge accounting	1,435	–	–	–	–	–	**1,435**	–
Net change in fair value of cash flow hedges	(2,216)	–	–	–	–	–	**(2,216)**	–
Net change in fair value of other equity investments	(53)	–	–	–	–	–	**(53)**	–
Net change in fair value of cost of hedging	–	10	–	–	–	–	**10**	–
Cost of hedging reclassified and reported in the net profit	–	(19)	–	–	–	–	**(19)**	–
Currency translation differences	–	–	(192)	–	–	–	**(192)**	–
Hedges reclassified and reported in property, plant and equipment	(5)	(13)	–	–	–	–	**(18)**	–
Share capital reduction	–	–	–	–	–	797	**797**	–
December 31, 2020	**(867)**	**38**	**(32)**	**62**	**(2,467)**	**867**	**(2,399)**	**6**

€ million	Other reserves: Unrealised gains and losses[1]	Cost of hedging reserve[2]	Currency translation[3]	Equity portion of convertible bond[4]	Merger reserve[5]	Redeemed capital reserve[6]	Total other reserves	Non-controlling interest
January 1, 2019	(1,130)	6	(136)	101	(2,467)	70	(3,556)	6
Other comprehensive income for the year:								
Cash flow hedges reclassified and reported in net profit:								
Passenger revenue	55	–	–	–	–	–	55	–
Fuel and oil costs	106	–	–	–	–	–	106	–
Currency differences	(26)	–	–	–	–	–	(26)	–
Finance costs	6	–	–	–	–	–	6	–
Net change in fair value of cash flow hedges	540	–	–	–	–	–	590	–
Net change in fair value of other equity investments	(8)	–	–	–	–	–	(8)	–
Net change in fair value of cost of hedging	–	68	–	–	–	–	18	–
Cost of hedging reclassified and reported in the net profit	–	(10)	–	–	–	–	(10)	–
Currency translation differences	–	–	296	–	–	–	296	–
Hedges reclassified and reported in property, plant and equipment	(7)	(4)	–	–	–	–	(11)	–
Redemption of convertible bond	–	–	–	(39)	–	–	(39)	–
December 31, 2019	(464)	60	160	62	(2,467)	70	(2,579)	6

1 The unrealised gains and losses reserve records fair value changes on equity investments and the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The amounts at December 31, 2020 that relate to the fair value changes on equity instruments and to the cash flow hedge reserve were €9 million credit and €891 million charge respectively.
2 The cost of hedging reserve records, amongst others, fair value changes on the time value of options.
3 The currency translation reserve records exchange differences arising from the translation of the financial statements of non-euro functional currency subsidiaries and investments accounted for under the equity method into the Group's reporting currency of euros. The movement through this reserve is affected by the fluctuations in the pound sterling to euro foreign exchange translation rate.
4 The equity portion of convertible bond reserve represents the equity portion of convertible bonds issued. At December 31, 2019, this related to the €500 million fixed rate 0.625 per cent convertible bond (note 23). During 2019 the Group exercised its option to early redeem the €500 million fixed rate 0.25 per cent convertible bond with no conversion to ordinary shares.
5 The merger reserve originated from the merger transaction between British Airways and Iberia. The balance represents the difference between the fair value of the Group on the transaction date, and the fair value of Iberia and the book value of British Airways (including its reserves).
6 Capital reserves include a Redeemed capital reserve of €70 million (2019: €70 million) associated with the decrease in share capital relating to cancelled shares and a Share capital reduction reserve of €797 million (2019: nil) associated with a reduction in the nominal value of the Company's share capital (note 27).

30 Employee benefit obligations

The Group operates a variety of post-employment benefit arrangements, covering both defined contribution and defined benefit schemes. The Group also has a scheme for flight crew who meet certain conditions and therefore have the option of being placed on reserve and retaining their employment relationship until reaching the statutory retirement age, or taking early retirement (note 24).

Defined contribution schemes

The Group operates a number of defined contribution schemes for its employees.

Costs recognised in respect of defined contribution pension plans in Spain, UK and Ireland for the year to December 31, 2020 were €235 million (2019: €262 million).

Defined benefit schemes

APS and NAPS

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS), both of which are in the UK and are closed to new members. NAPS has been closed to new members since 2004 and closed to future accrual since 2018, resulting in a reduction of the defined benefit obligation. Following closure members' deferred pensions will now be increased annually by inflation up to five per cent per annum (measured using the Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI). As part of the closure of NAPS to future accrual in 2018, British Airways agreed to make certain additional transition payments to NAPS members if the deficit had reduced more than expected at either the 2018 or 2021 valuations. No payment was triggered by the 2018 valuation and no allowance for such payments has been made in the valuation of the defined benefit obligation on the expected outcome of the 2021 valuation. The NAPS actuarial valuation at March 31, 2018 resulted in a deficit of €2,736 million.

APS has been closed to new members since 1984, but remains open to future accrual. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment. The APS actuarial valuation at March 31, 2018 resulted in a surplus of €683 million.

APS and NAPS are governed by separate Trustee Boards. Although APS and NAPS have separate Trustee Boards, much of the business of the two schemes is common. Some main Board and committee meetings are held in tandem although each Trustee Board reaches its decisions independently. There are three sub committees which are separately responsible for the governance, operation and investments of each scheme. British Airways Pension Trustees Limited holds the assets of both schemes on behalf of their respective Trustees.

Deficit payment plans are agreed with the Trustee of each scheme every three years based on the actuarial valuation rather than the IAS 19 accounting valuation. In October 2019, the latest deficit recovery plan was agreed as at March 31, 2018 with respect to NAPS (see note 30i below). The actuarial valuations performed as at March 31, 2018 for APS and NAPS are different to the valuation performed as at December 31, 2019 under IAS 19 'Employee Benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation compared with IAS 19 guidance used in the accounting valuation assumptions. For example, IAS 19 requires the discount rate to be based on corporate bond yields regardless of how the assets are actually invested, which may not result in the calculations in this report being a best estimate of the cost to the Group of providing benefits under either Scheme. The investment strategy of each Scheme is likely to change over its life, so the relationship between the discount rate and the expected rate of return on each Scheme's assets may also change.

Other plans

British Airways provides certain additional post-retirement healthcare benefits to eligible employees in the US through the US Post-Retirement Medical Benefit plan (US PRMB) which is considered to be a defined benefit scheme. In addition, Aer Lingus operates certain defined benefit plans, both funded and unfunded.

The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk, including currency risk.

Cash payments

Cash payments in respect to pension obligations comprise normal employer contributions by the Group; deficit contributions based on the agreed deficit payment plan with APS and NAPS; and cash sweep payments relating to additional payments made conditional on the level of cash in British Airways. Total payments for the year to December 31, 2020 net of service costs were €313 million (2019: €865 million) being the employer contributions of €318 million (2019: €870 million) less the current service cost of €5 million (2019: €5 million) (note 30b).

On December 18, 2020 British Airways reached agreement with the Trustee of NAPS to defer deficit contributions on an interim basis for the period between October 1, 2020 and January 31, 2021. On February 19, 2021 British Airways reached further agreement with the Trustee of NAPS to defer deficit contributions previously agreed in October 2019 on the March 31, 2018 valuation, through to September 30, 2021. Under this deferral agreement, the deferred payments will be incorporated into the future deficit payment plan and associated deficit contributions arising from the triennial valuation of the NAPS scheme as at March 31, 2021. If the future deficit payment plan has not been agreed by September 30, 2021, the default position is that British Airways will return to making payments of €41 million (£38 million) per month from October 2021.

a Employee benefit schemes recognised on the Balance Sheet

	2020			
€ million	**APS**	**NAPS**	**Other[1]**	**Total**
Scheme assets at fair value	**8,537**	**22,240**	**408**	**31,185**
Present value of scheme liabilities	**(8,143)**	**(22,151)**	**(714)**	**(31,008)**
Net pension asset/(liability)	**394**	**89**	**(306)**	**177**
Effect of the asset ceiling[2]	**(124)**	**(479)**	**–**	**(603)**
Other employee benefit obligations	**–**	**–**	**(11)**	**(11)**
December 31, 2020	**270**	**(390)**	**(317)**	**(437)**
Represented by:				
Employee benefit assets				**282**
Employee benefit obligations				**(719)**
				(437)

	2019[3]			
€ million	APS	NAPS	Other[1]	Total
Scheme assets at fair value	8,830	22,423	428	31,681
Present value of scheme liabilities	(8,401)	(21,650)	(731)	(30,782)
Net pension asset/(liability)	429	773	(303)	899
Effect of the asset ceiling[2]	(127)	(847)	–	(974)
Other employee benefit obligations	–	–	(11)	(11)
December 31, 2019	302	(74)	(314)	(86)
Represented by:				
Employee benefit assets				314
Employee benefit obligations				(400)
				(86)

1 The present value of scheme liabilities for the US PRMB was €12 million at December 31, 2020 (2019: €15 million).
2 APS and NAPS have an accounting surplus under IAS 19, which would be available to the Group as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee.
3 Refer to note 2 for information relation to the reclassification from the Employee benefit obligations to deferred taxes at December 31, 2019.

b Amounts recognised in the Income statement

Pension costs charged to operating result are:

€ million	2020	2019
Defined benefit plans:		
Current service cost	5	5
Past service cost[1, 2]	7	665
	12	670
Defined contribution plans	235	262
Pension costs recorded as employee costs	**247**	**932**

1 Refer to the Alternative performance measures section for amounts recorded within exceptional items in 2019.
2 Includes a past service credit of €nil (2019: €7 million) relating to schemes other than APS and NAPS.

Pension costs charged as finance costs are:

€ million	2020	2019
Interest income on scheme assets	(599)	(775)
Interest expense on scheme liabilities	581	710
Interest expense on asset ceiling	14	39
Net financing income relating to pensions	**(4)**	**(26)**

c Remeasurements recognised in the Statement of other comprehensive income

€ million	2020	2019[1]
Return on plan assets excluding interest income	(2,288)	(1,916)
Remeasurement of plan liabilities from changes in financial assumptions	3,633	3,423
Remeasurement of experience (gains)/losses	(355)	193
Remeasurement of the APS and NAPS asset ceilings	(320)	(1,027)
Exchange movements	8	(13)
Pension remeasurements charged to Other comprehensive income	**678**	**660**

1 Refer to note 2 for information relation to the reclassification from the Employee benefit obligations to deferred taxes at December 31, 2019.

d Fair value of scheme assets

A reconciliation of the opening and closing balances of the fair value of scheme assets is set out below:

€ million	2020	2019
January 1	31,681	27,600
Interest income	599	775
Return on plan assets excluding interest income	2,288	1,916
Employer contributions[1]	313	870
Employee contributions	14	6
Benefits paid	(1,573)	(1,269)
Exchange movements	(2,137)	1,783
December 31	31,185	31,681

1 Includes employer contributions to APS of €2 million (2019: €5 million) and to NAPS of €303 million (2019: €816 million) of which deficit funding payments represented €nil for APS (2019: €nil) and €296 million for NAPS (2019: €797 million).

For both APS and NAPS, the Trustee has ultimate responsibility for decision making on investments matters, including the asset-liability matching strategy. The latter is a form of investing designed to match the movement in pension plan assets with the movement in the projected benefit obligation over time. The Trustees' investment committee adopts an annual business plan which sets out investment objectives and work required to support achievement of these objectives. The committee also deals with the monitoring of performance and activities, including work on developing the strategic benchmark to improve the risk return profile of the scheme where possible, as well as having a trigger based dynamic governance process to be able to take advantage of opportunities as they arise. The investment committee reviews the existing investment restrictions, performance benchmarks and targets, as well as continuing to develop the de-risking and liability hedging portfolio.

Both schemes use derivative instruments for investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange and liquidity risks arising in the normal course of business. Exposure to interest rate risk is managed through the use of Inflation-Linked Swap contracts. Foreign exchange forward contracts are entered into to mitigate the risk of currency fluctuations.

Scheme assets held by all defined benefit schemes operated by the Group at December 31 comprise:

€ million	2020	2019
Return seeking investments – equities		
UK	1,465	2,310
Rest of world	4,705	4,774
	6,170	7,084
Return seeking investments – other		
Private equity	1,062	1,035
Property	1,798	2,135
Alternative investments	880	1,081
	3,740	4,251
Liability matching investments		
UK fixed bonds	6,868	6,356
Rest of world fixed bonds	93	93
UK index-linked bonds	6,513	6,266
Rest of world index-linked bonds	11	120
	13,485	12,835
Other		
Cash and cash equivalents	947	689
Derivatives	(228)	(344)
Insurance contract	1,660	1,740
Longevity swap	4,424	4,547
Other	987	879
	31,185	31,681

All equities and bonds have quoted prices in active markets.

For APS and NAPS, the composition of the scheme assets is:

	December 31, 2020		December 31, 2019	
€ million	APS	NAPS	APS	NAPS
Return seeking investments	138	9,576	347	10,844
Liability matching investments	2,286	11,092	1,897	10,828
	2,424	20,668	2,244	21,672
Insurance contract and related longevity swap	6,058	–	6,260	–
Other	55	1,572	326	751
Fair value of scheme assets	8,537	22,240	8,830	22,423

The strategic benchmark for asset allocations differentiate between ‘return seeking assets’ and ‘liability matching assets’ depending on the maturity of each scheme. At December 31, 2020, the benchmark for NAPS was 42.3 per cent (2019: 46 per cent) in return seeking assets and 57.8 per cent (2019: 54 per cent) in liability matching investments. Bandwidths are set around these strategic benchmarks that allow for tactical asset allocation decisions, providing parameters for the Investment Committee and their investment managers to work within. APS no longer has a ‘strategic benchmark’ as instead, APS now runs off its liquidation portfolio to a liability matching portfolio of bonds and cash. The actual asset allocation for APS at December 31, 2020 was 1.4 per cent (2019: 4 per cent) in return seeking assets and 98.6 per cent (2019: 96 per cent) in liability matching investments.

APS has an insurance contract with Rothesay Life which covers 24 per cent (2019: 24 per cent) of the pensioner liabilities for an agreed list of members. The insurance contract is based on future increases to pensions in line with inflation and will match future obligations on that basis for that part of the scheme. The insurance contract can only be used to pay or fund employee benefits under the scheme. APS also has secured a longevity swap contract with Rothesay Life, which covers an additional 20 per cent (2019: 20 per cent) of the pensioner liabilities for the same members covered by the insurance contract above. The value of the contract is based on the difference between the value of the payments expected to be received under this contract and the pensions payable by the scheme under the contract. The fees are linked to LIBOR, and an assumed future LIBOR rate has been derived based on swap prices at December 31, 2020.

During 2018 the Trustee of APS secured a buy-in contract with Legal & General. The buy-in contract covers all members in receipt of pension from APS at March 31, 2018, excluding dependent children receiving a pension at that date and members in receipt of equivalent pension (EPB) only benefits, who are alive on October 1, 2018. Benefits coming into payment for retirements after March 31, 2018 are not covered. The contract covers benefits payable from October 1, 2018 onwards. The policy covers approximately 60 per cent of all benefits APS expects to pay out in future. Along with existing insurance products (the asset swap and longevity swaps with Rothesay Life), APS is now 90 per cent protected against all longevity risk and fully protected in relation to all pensions that were already being paid as at March 31, 2018. It is also more than 90 per cent protected against interest rates and inflation (on a Retail Price Index (RPI) basis).

e Present value of scheme liabilities

A reconciliation of the opening and closing balances of the present value of the defined benefit obligations is set out below:

€ million	2020	2019
January 1	**30,782**	25,383
Current service cost	**5**	5
Past service cost/(credit)	**7**	665
Interest expense	**581**	710
Remeasurements – financial assumptions	**3,633**	3,423
Remeasurements of experience (gains)/losses	**(355)**	193
Benefits paid	**(1,573)**	(1,269)
Employee contributions	**14**	6
Exchange movements	**(2,086)**	1,666
December 31	**31,008**	30,782

The defined benefit obligation comprises €24 million (2019: €30 million) arising from unfunded plans and €30,984 million (2019: €30,752 million) from plans that are wholly or partly funded.

f Effect of the asset ceiling

A reconciliation of the effect of the asset ceiling used in calculating the IAS 19 irrecoverable surplus in APS is set out below:

€ million	2020	2019[1]
January 1	**974**	1,868
Interest expense	**14**	39
Remeasurements	**(320)**	(1,027)
Exchange movements	**(65)**	94
December 31	**603**	974

1 Refer to note 2 for information relation to the reclassification from the Employee benefit obligations to deferred taxes at December 31, 2019. As at January 1, 2019 the reclassification had the effect of increasing the asset ceiling by €503 million to €1,868 million. As at December 31, 2019, the reclassification had the effect of increasing the remeasurements by €246 million to €1,027 million.

g Actuarial assumptions

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020			2019		
Per cent per annum	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate[1]	**1.20**	**1.40**	**0.5 – 2.4**	1.85	2.05	0.8 – 3.2
Rate of increase in pensionable pay[2]	**2.95**	**–**	**2.5**	2.90	–	2.5
Rate of increase of pensions in payment[3]	**2.95**	**2.25**	**1.1 – 3.5**	2.90	2.15	1.2 – 3.5
RPI rate of inflation	**2.95**	**2.80**	**2.5 – 2.7**	2.90	-	2.5 – 2.8
CPI rate of inflation	**2.25**	**2.25**	**1.1 – 3.0**	-	2.15	1.2 – 3.0

1 Discount rate is determined by reference to the yield on high quality corporate bonds of currency and term consistent with the scheme liabilities.
2 Rate of increase in pensionable pay is assumed to be in line with increases in RPI.
3 It has been assumed that the rate of increase of pensions in payment will be in line with CPI for NAPS and APS as at December 31, 2020.

Rate of increase in healthcare costs is based on medical trend rates of 6.25 per cent grading down to 5.00 per cent over five years (2019: 6.50 per cent to 5.00 per cent over five years).

In the UK, mortality rates for APS and NAPS are calculated using the standard SAPS mortality tables produced by the CMI. The standard mortality tables were selected based on the actual recent mortality experience of members and were adjusted to allow for future mortality changes. The current longevities underlying the values of the scheme liabilities were as follows:

Mortality assumptions	2020	2019
Life expectancy at age 60 for a:		
– male currently aged 60	**28.2**	28.2
– male currently aged 40	**29.9**	29.9
– female currently aged 60	**29.3**	29.0
– female currently aged 40	**31.8**	31.6

At December 31, 2020, the weighted-average duration of the defined benefit obligation was 12 years for APS (2019: 12 years) and 20 years for NAPS (2019: 19 years).

In the US, mortality rates were based on the MP-2020 mortality tables.

h Sensitivity analysis

Reasonable possible changes at the reporting date to significant actuarial assumptions, holding other assumptions constant, would have affected the present value of scheme liabilities by the amounts shown:

	(Decrease)/increase in scheme liabilities		
€ million	APS	NAPS	Other schemes
Discount rate (decrease of 5 basis points)	**(22)**	**(429)**	**16**
Future salary growth (increase of 10 basis points)	**-**	**-**	**7**
Future pension growth (increase of 10 basis points)	**(33)**	**(374)**	**3**
Future mortality rate (one year increase in life expectancy)	**(33)**	**(826)**	**5**

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

i Funding

Pension contributions for APS and NAPS were determined by actuarial valuations made at March 31, 2018, using assumptions and methodologies agreed between the Group and Trustee of each scheme. At the date of the actuarial valuation, the actuarial deficit of NAPS amounted to €2,736 million. In order to address the deficit in the scheme, the Group has also committed to the following undiscounted deficit payments:

€ million	NAPS
Within 12 months	**124**
2-5 years	**1,156**
Total expected deficit payments for NAPS	**1,280**

The Group has determined that the minimum funding requirements set out above for NAPS will not be restricted. The present value of the contributions payable is expected to be available as a refund or a reduction in future contributions after they are paid into the plan. This determination has been made independently for each plan, subject to withholding taxes that would be payable by the Trustee.

Deficit payments in respect of local arrangements outside of the UK have been determined in accordance with local practice.

In total, the Group expects to pay €126 million in employer contributions and deficit payments to the two significant post-retirement benefit plans in 2021. This is made up of €125 million of deficit payments for NAPS after giving consideration to the aforementioned contribution deferral agreement and ongoing employer contributions of €1 million for APS.

Under the contribution deferral agreement between British Airways and the Trustee of NAPS, in the period up to December 31, 2023, no dividend payment is permitted from British Airways to IAG. From 2024 onwards, any dividends paid by British Airways will be matched by contributions to NAPS of 50 per cent of the value of dividends paid. Any such payments to NAPS will reduce the outstanding repayment balance and are capped at that level. The requirement to make such payments to NAPS ceases after deferred contributions have been repaid.

31 Contingent liabilities and guarantees

Details of contingent liabilities are set out below. The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provision for these proceedings has been recognised.

Contingent liabilities associated with income and deferred taxes are presented note 9. For information pertaining to previously reported contingent liabilities associated with the Airways Pension Scheme, refer to note 30. For information pertaining to previous contingent liabilities associated with the theft of customer data at British Airways that have been recognised as legal claims provisions refer to note 24.

There are a number of other legal and regulatory proceedings against the Group in a number of jurisdictions which at December 31, 2020 amounted to €56 million (December 31, 2019: €53 million).

The Group also has guarantees and indemnities entered into as part of the normal course of business, which at December 31, 2020 are not expected to result in material losses for the Group.

32 Government grants and assistance

The Group has availed itself of government grants and assistance as follows:

The Coronavirus Job Retention Scheme (CJRS) – recognised net within Employee costs

The CJRS was implemented by the Government of the United Kingdom from March 1, 2020 to August 30, 2020, where those employees designated as being 'furloughed workers' were eligible to have 80 per cent of their wage costs paid up to a maximum of £2,500 per month.

From September 1, 2020 to September 30, 2020, the level eligibility reduced to 70 per cent of wage costs and up to a maximum of £2,197.50 per month. From October 1, 2020 to October 31, 2020, the level of eligibility reduced to 60 per cent of wage costs and up to a maximum of £1,875 per month. Following the introduction of further lockdown restrictions in the United Kingdom in November 2020, the CJRS was extended from November 1, 2020 to November 30, 2020 and then further to March 31, 2021 with the level of eligibility increased to 80 per cent of wage costs and a maximum of £2,500 per month.

Such costs are paid by the Government to the Group in arrears. The Group is obliged to continue to pay the associated social security costs and employer pension contributions.

The Temporary Wage Subsidy Scheme (TWSS) and the Employment Wage Subsidy Scheme (EWSS) – recognised net within Employee costs

The TWSS was implemented by the government of Ireland from March 1, 2020 to August 30, 2020, where those employees designated as being furloughed workers are eligible to have 85 per cent of their wage costs paid up to a maximum of €410 per week. This scheme was replaced with the EWSS from September 1, 2020 and is expected to run through to March 31, 2021. For those qualifying employees (earning less than €1,462 per week), the government will reimburse wage costs up to a maximum of €350 per week. Such costs are paid by the government to the Group in arrears.

The total amount of the relief received under the CJRS, the TWSS and the EWSS by the Group during 2020 amounted to €344 million (2019: €nil).

Temporary Redundancy Plan (ERTE) – no recognition in the financial statements of the Group

The ERTE was implemented by the government of Spain from March 1, 2020 and is expected to run through to May 31, 2021. Under this plan, employment is temporarily suspended and those designated employees are paid directly by the government and there is no remittance made to the Group. The Group is obliged to continue to pay the associated social security costs.

Had those designated employees not been temporarily suspended during 2020, the Group would have incurred further employee costs of €214 million (2019: €nil).

The Coronavirus Corporate Finance Facility (CCFF) – recognised within Short-term borrowings

On April 12, 2020, British Airways availed itself of the CCFF implemented by the Government of the United Kingdom. Under the CCFF, British Airways received €328 million (£298 million), with interest incurred at the prevailing market rate. Refer to note 23 for further details.

Syndicated financing agreements – recognised within Long-term borrowings

On April 30, 2020, Iberia and Vueling entered into syndicated financing agreements of €750 million and €260 million, respectively, with interest incurred at the prevailing market rate. The *Instituto de Crédito Oficial* ('ICO') in Spain has guaranteed 70 per cent of both financial agreements. Refer to note 23 for further details.

The Ireland Strategic Investment Fund (ISIF) – recognised within Long-term borrowings

On December, 23, 2020, Aer Lingus entered into a financing arrangement for €75 million under the ISIF. Refer to note 23 for further details.

The UK Export Finance (UKEF) – not recognised as at December 31, 2020

On December 31, 2020, British Airways entered into a 5 year term loan Export Development Guarantee Facility of €2.2 billion (£2.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UKEF.

33 Related party transactions

The following transactions took place with related parties for the financial years to December 31:

€ million	**2020**	2019
Sales of goods and services		
Sales to associates and joint ventures[1]	**12**	6
Sales to significant shareholders[2]	**23**	32
Purchases of goods and services		
Purchases from associates[3]	**42**	76
Purchases from significant shareholders[2]	**80**	149

Receivables from related parties		
Amounts owed by associates[4]	**1**	2
Amounts owed by significant shareholders[5]	**1**	8
Payables to related parties		
Amounts owed to associates[6]	**2**	3
Amounts owed to significant shareholders[5]	**1**	18

1 Sales to associates: Consisted primarily of sales for airline related services to Dunwoody Airline Services (Holding) Limited (Dunwoody) of €9 million (2019: €4 million), €1 million (2019: €nil) to Viajes Ame S.A. and €1 million (2019: €1 million) to Serpista, S.A. and Multiservicios Aeroportuarios, S.A.
2 Sales to and purchases from significant shareholders related to interline services with Qatar Airways.
3 Purchases from associates: Consisted primarily of €23 million of airport auxiliary services purchased from Multiservicios Aeroportuarios, S.A. (2019: €50 million), €9 million of handling services provided by Dunwoody (2019: €10 million) and €7 million of maintenance services received from Serpista, S.A. (2019: €16 million).
4 Amounts owed by associates: Consisted primarily of €1 million of services provided to Multiservicios Aeroportuarios, S.A., Serpista, S.A., Dunwoody and Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A. (2019: €1 million of services provided to Multiservicios Aeroportuarios, S.A. and €1 million of services provided to Dunwoody, Iberia Cards and Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A.).
5 Amounts owed by and to significant shareholders related to Qatar Airways.
6 Amounts owed to associates: Consisted primarily of €2 million due to Multiservicios Aeroportuarios, S.A., Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A., Viajes Ame S.A, Serpista, S.A. and Dunwoody (2019: €1 million due to Dunwoody and €2 million due to Multiservicios Aeroportuarios, S.A., Serpista, S.A. and Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A.).

During the year to December 31, 2020 British Airways met certain costs of administering its retirement benefit plans, including the provision of support services to the Trustees. Costs borne on behalf of the retirement benefit plans amounted to €7 million (2019: €9 million) in relation to the costs of the Pension Protection Fund levy.

The Group has transactions with related parties that are conducted in the normal course of the airline business, which include the provision of airline and related services. All such transactions are carried out on an arm's length basis.

For the year to December 31, 2020, the Group has not made any provision for expected credit loss arising relating to amounts owed by related parties (2019: nil).

Significant shareholders

In this instance, significant shareholders are those parties who have the power to participate in the financial and operating policy decisions of the Group, as a result of their shareholdings in the Group, but who do not have control over these policies.

At December 31, 2020 the Group had cash deposit balances with shareholders holding a participation of between 3 to 5 per cent, of €nil (2019: €nil).

Board of Directors and Management Committee remuneration

Compensation received by the Group's Board of Directors and Management Committee, in 2020 and 2019 is as follows:

	Year to December 31	
€ million	**2020**	2019
Base salary, fees and benefits		
Board of Directors		
Short-term benefits	**3**	5
Share based payments	**-**	3
Management Committee		
Short-term benefits	**5**	8
Share based payments	**-**	5

For the year to December 31, 2020 the Board of Directors includes remuneration for three Executive Directors (December 31, 2019: three Executive Directors). The Management Committee includes remuneration for 14 members (December 31, 2019: 12 members).

The Company provides life insurance for all executive directors and the Management Committee. For the year to December 31, 2020 the Company's obligation was €38,000 (2019: €63,000).

At December 31, 2020 the transfer value of accrued pensions covered under defined benefit pension obligation schemes, relating to the current members of the Management Committee totalled €1 million (2019: €1 million).

No loan or credit transactions were outstanding with Directors or offices of the Group at December 31, 2020 (2019: nil).

34 Post balance sheet events

On January 19, 2021, the Group amended the original agreement announced on November 4, 2019, under which the Group had agreed to acquire the entire issued share capital of Air Europa. The amendment agreement reduces the total expected consideration for the acquisition to €500 million, which would be payable on the sixth anniversary of the completion of the acquisition. The acquisition is subject to the completion of negotiations with *Sociedad Estatal de Participaciones Industriales* in Spain and approval from the European Commission. Until the completion of these negotiations and receipt of the relevant approvals, the acquisition does not meet the recognition criteria under IFRS 3 Business combinations, and no accounting has been made for the transaction in these consolidated financial statements.

On February 19, 2021 British Airways reached further agreement with the Trustee of NAPS to extend the deferral of deficit contributions through to September 30, 2021. The deferral of such contributions will amount to €330 million (£300 million). Under the contribution deferral agreement between British Airways and the Trustee of NAPS, in the period up to December 31, 2023, no dividend payment is permitted from British Airways to IAG. From 2024 onwards, any dividends paid by British Airways will be matched by contributions to NAPS of 50 per cent of the value of dividends paid. Any such payments to NAPS will reduce the outstanding repayment balance and are capped at that level. The requirement to make such payments to NAPS ceases after deferred contributions have been repaid.

On February 22, 2021, British Airways entered into a 5 year term loan Export Development Guarantee Facility of €2.2 billion (£2.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UKEF.

ALTERNATIVE PERFORMANCE MEASURES

The performance of the Group is assessed using a number of alternative performance measures (APMs), some of which have been identified as key performance indicators of the Group. These measures are not defined under International Financial Reporting Standards (IFRS), should be considered in addition to IFRS measurements and may differ to definitions given by regulatory bodies applicable to the Group. They are used to measure the outcome of the Group's strategy based on 'Unrivalled customer proposition', 'Value accretive and sustainable growth' and 'Efficiency and innovation'.

The definition of each APM, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

a Changes to APMs in 2020

The Group has not adjusted its APMs policy for the impact of COVID-19. However, under the existing exceptional items definition, certain costs arising from the impact of COVID-19 have been classified as exceptional items.

During 2020, the Group has made two changes to its disclosures and treatment of APMs compared with those disclosed in the Annual Report and Accounts for the year to December 31, 2019:

- (Loss)/profit after tax before exceptional items – For the year to December 31, 2019, the Group presented exceptional items on the face of the Income statement using a three column approach to reflect the results of the Group on a pre and post exceptional basis to enable users to better understand the performance of the Group. During 2020, following the consideration of regulatory guidance, the Group has re-presented the Income statement to reflect a single column approach. Accordingly, for 2020, exceptional items and the associated narrative have been incorporated into this APM section of the consolidated financial statements. This disclosure has further been disaggregated by reportable operating segment to enable a greater understanding of the performance of each of the reportable operating segments of the Group; and
- Pro forma financial information - The Group adopted IFRS 16 'Leases' on January 1, 2019 and applied the modified retrospective transition approach. In doing so, the comparative figures for 2018 were not restated. Accordingly, to provide a consistent basis for comparison with 2019, the Group introduced Pro forma financial information for 2018. As comparative figures for 2018 are no longer required, this pro forma information is no longer required.

b (Loss)/profit after tax before exceptional items

Exceptional items are those that in management's view need to be separately disclosed by virtue of their size or incidence in understanding the entity's financial performance. The exceptional items include: significant discontinuance of hedge accounting; significant restructuring; significant settlement agreements with the Group's pension schemes; significant changes in the long term fleet plans that result in the impairment of fleet assets and the recognition of associated provisions; and, legal settlements.

The table below reconciles the statutory income statement to the income statement before exceptional items of the Group:

	Year to December 31					
€ million	**Statutory 2020**	**Exceptional items**	**Before exceptional items 2020**	Statutory 2019	Exceptional items	Before exceptional items 2019
Passenger revenue[1]	**5,512**	**(62)**	**5,574**	22,468		22,468
Cargo revenue	**1,306**		**1,306**	1,117		1,117
Other revenue	**988**		**988**	1,921		1,921
Total revenue	**7,806**	**(62)**	**7,868**	25,506		25,506
Employee costs[2, 6]	**3,560**	**313**	**3,247**	5,634	672	4,962
Fuel, oil costs and emissions charges[1]	**3,735**	**1,694**	**2,041**	6,021		6,021
Handling, catering and other operating costs	**1,340**		**1,340**	2,972		2,972
Landing fees and en-route charges	**918**		**918**	2,221		2,221
Engineering and other aircraft costs[3]	**1,456**	**108**	**1,348**	2,092		2,092
Property, IT and other costs[4]	**782**	**28**	**754**	811		811
Selling costs	**405**		**405**	1,038		1,038
Depreciation, amortisation and impairment[5]	**2,955**	**856**	**2,099**	2,111		2,111
Currency differences	**81**		**81**	(7)		(7)
Total expenditure on operations	**15,232**	**2,999**	**12,233**	22,893	672	22,221
Operating (loss)/profit	**(7,426)**	**(3,061)**	**(4,365)**	2,613	(672)	3,285
Finance costs	**(670)**		**(670)**	(611)		(611)
Finance income	**41**		**41**	50		50
Net financing credit relating to pensions	**4**		**4**	26		26
Net currency retranslation credits	**245**		**245**	201		201
Other non-operating charges	**(4)**		**(4)**	(4)		(4)
Total net non-operating costs	**(384)**		**(384)**	(338)		(338)
(Loss)/profit before tax	**(7,810)**	**(3,061)**	**(4,749)**	2,275	(672)	2,947
Tax	**887**	**463**	**424**	(560)		(560)
(Loss)/profit after tax for the year	**(6,923)**	**(2,598)**	**(4,325)**	1,715	(672)	2,387

€ million	Statutory 2020	Exceptional items	Before exceptional items 2020	Statutory 2019	Exceptional items	Before exceptional items 2019
	Three months to December 31					
Passenger revenue[1]	**684**	**(2)**	**686**	5,390		5,390
Cargo revenue	**389**		**389**	292		292
Other revenue	**228**		**228**	532		532
Total revenue	**1,301**	**(2)**	**1,303**	6,214		6,214
Employee costs[2, 6]	**693**	**44**	**649**	1,921	672	1,249
Fuel, oil costs and emissions charges[1]	**453**	**95**	**358**	1,452		1,452
Handling, catering and other operating costs	**260**		**260**	736		736
Landing fees and en-route charges	**181**		**181**	522		522
Engineering and other aircraft costs[3]	**321**	**25**	**296**	505		505
Property, IT and other costs[4]	**185**		**185**	229		229
Selling costs	**65**		**65**	225		225
Depreciation, amortisation and impairment[5]	**620**	**140**	**480**	557		557
Currency differences	**(6)**		**(6)**	(26)		(26)
Total expenditure on operations	**2,772**	**304**	**2,468**	6,121	672	5,449
Operating (loss)/profit	**(1,471)**	**(306)**	**(1,165)**	93	(672)	765
Finance costs	**(167)**		**(167)**	(165)		(165)
Finance income	**14**		**14**	17		17
Net financing credit relating to pensions	**-**		**-**	7		7
Net currency retranslation credits	**62**		**62**	108		108
Other non-operating charges	**(47)**		**(47)**	(54)		(54)
Total net non-operating costs	**(138)**		**(138)**	(87)		(87)
(Loss)/profit before tax	**(1,609)**	**(306)**	**(1,303)**	6	(672)	678
Tax	**253**	**99**	**154**	(105)		(105)
(Loss)/profit after tax for the year	**(1,356)**	**(207)**	**(1,149)**	(99)	(672)	573

The rationale for each exceptional item is given below. In 2020 all items were associated with the impact of COVID-19, except the settlement provision in relation to the theft of customer data at British Airways in 2018 (part 4).

1 Discontinuation of hedge accounting

The exceptional charge of €1,756 million represented by an expense of €62 million relating to revenue foreign currency derivatives, an expense of €1,781 million relating to fuel derivatives and a credit of €87 million related to the associated fuel foreign currency derivatives. These amounts relate to the discontinuance of hedge accounting of the associated foreign currency and fuel derivatives on forecast revenue and fuel consumption. These losses have arisen from the substantial deterioration in demand for air travel caused by COVID-19, which has caused a significant level of hedged passenger revenue transactions and fuel purchases in US dollars to no longer be expected to occur based on the Group's operating forecasts prevailing at the Balance sheet date. The Group's risk management strategy has been to build up these hedges gradually over a three-year period when the level of forecast passenger revenue and fuel consumption were higher than current expectations. Accordingly, the hedge accounting for these transactions has been discontinued and the losses recognised in the Income statement. The exceptional charge relating to revenue derivatives and fuel derivatives have been recorded in the Income statement within Passenger revenue and Fuel, oil and emission charges, respectively.

The related tax credit was €273 million, with €11 million being attributable to the charge to Passenger revenue and €262 million being attributable to Fuel, oil costs and emissions charges.

2 Restructuring costs

The exceptional charge of €319 million (comprising €313 million of employee severance pay and €6 million of associated legal costs) represent the Group-wide restructuring programme, which right-sizes the Group for the near term. While the restructuring programme affects all of the Group's operating companies, the exceptional charges in the year to December 31, 2020 relate to British Airways, Aer Lingus, Iberia and LEVEL only, due to the status of negotiations with employees and their representatives. The exceptional charge has been recorded within Employee costs and Property, IT and other costs.

The related tax credit was €53 million.

3 Engineering and other aircraft costs

The exceptional charge of €108 million includes an inventory write-down expense of €71 million and a charge relating to contractual lease provisions of €37 million. The inventory write-down expense represents those expendable inventories that, given the asset impairments, are no longer expected to be utilised. The charge relating to the recognition of contractual lease provisions represents the estimation of the additional cost to fulfil the hand back conditions associated with the leased aircraft that have been permanently stood down and impaired, which are discussed further below. The exceptional charge has been recorded within Engineering and other aircraft costs.

The related tax credit was €14 million.

4 Settlement provision

The exceptional charge of €22 million represents the fine issued by the Information Commissioner's Office in the United Kingdom, relating to the theft of customer data at British Airways in 2018. The exceptional charge has been recorded within Property, IT and other costs in the Income statement, with a corresponding amount recorded in Provisions.

There is no tax impact on the recognition of this charge.

5 Impairment of fleet and associated assets

The total exceptional impairment expense of €856 million is represented by an impairment of fleet assets of €837 million and an impairment of other assets of €19 million. The fleet impairment relates to 82 aircraft, their associated engines and rotable inventories that have been stood down permanently and 2 further aircraft which have been impaired down to their recoverable value at December 31, 2020, which includes 32 Boeing 747 aircraft, 23 Airbus A320 aircraft, 15 Airbus A340 aircraft, 4 Airbus A330-200 aircraft, 2 Airbus A318 aircraft, 1 Airbus A321 aircraft, 1 Airbus A319 aircraft, 2 Boeing 777-200 aircraft and 4 Embraer E170 aircraft. Of the fleet impairment, €676 million is recorded within Property, plant and equipment relating to owned aircraft and €161 million is recorded within Right of use assets relating to leased aircraft.

Included within the impairment of other assets is an amount of €15 million relating to the landing rights, classified within Intangible assets, that were held by the operations of LEVEL in Paris. Following the decision to cease the operations of LEVEL in Paris, these landing rights have been recorded at the lower of their carrying value and their recoverable value.

The exceptional impairment expenses have been recorded within Depreciation, amortisation and impairment in the Income statement.

The related tax credit was €123 million.

The impairment expense has arisen from the substantial deterioration in current and forecast demand for air travel caused by the COVID-19 outbreak, which has led the Group to re-assess the medium- and long-term capacity and utilisation of the fleet. Subsequent to these impairments, all assets are held at their recoverable amounts.

6 Employee benefit obligations

The exceptional expense of €672 million recognised in the year to December 31, 2019 related to the past service cost of the Airways Pension Scheme ('APS') settlement agreement described in note 30. This amount arose from the increase in the IAS 19 defined benefit liability of APS following the settlement agreement between the Trustee Directors of APS and British Airways which was approved by the High Court in November 2019. The settlement agreement established higher pensions in payment growth assumptions in future years, resulting in a non-cash increase to the IAS 19 defined benefit liability. The exceptional charge was recorded within Employee costs.

The table below provides a reconciliation of the post-exceptional to pre-exceptional condensed alternative income statement by operating segment for the years to 31 December 2020 and 2019:

	Year to December 31, 2020														
	British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
€ million	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	2,840	(54)	2,894	3,309	(59)	3,368	1,160	-	1,160	569	-	569	379	(3)	382
Cargo revenue	890	-	890	998	-	998	240	-	240	-	-	-	88	-	88
Other revenue	217	-	217	251	-	251	859	-	859	5	-	5	-	-	-
Total revenue	3,947	(54)	4,001	4,558	(59)	4,617	2,259	-	2,259	574	-	574	467	(3)	470
Employee costs	1,916	221	1,695	2,168	243	1,925	798	14	784	196	-	196	217	24	193
Fuel, oil costs and emissions charges	1,996	837	1,159	2,317	984	1,333	716	344	372	314	154	160	286	144	142
Depreciation, amortisation and impairment	1,475	399	1,076	1,659	445	1,214	612	242	370	345	68	277	157	24	133
Other operating costs	2,440	42	2,398	2,792	47	2,745	1,544	52	1,492	594	30	564	370	7	363
Total expenditure on operations	7,827	1,499	6,328	8,936	1,719	7,217	3,670	652	3,018	1,449	252	1,197	1,030	199	831
Operating loss	(3,880)	(1,553)	(2,327)	(4,378)	(1,778)	(2,600)	(1,411)	(652)	(759)	(875)	(252)	(623)	(563)	(202)	(361)
Operating margin (%)	(98.3)%		(58.2)%	-		-	(62.5)%		(33.6)%	(152.3)%		(108.5)%	(120.4)%		(76.8)%

€ million	Year to December 31, 2019 British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	11,899	-	11,899	13,525	-	13,525	4,053	-	4,053	2,437	-	2,437	2,060	-	2,060
Cargo revenue	711	-	711	808	-	808	291	-	291	–	-	–	54	-	54
Other revenue	680	-	680	773	-	773	1,301	-	1,301	18	-	18	11	-	11
Total revenue	13,290	-	13,290	15,106	-	15,106	5,645	-	5,645	2,455	-	2,455	2,125	-	2,125
Employee costs	3,112	583	2,529	3,549	672	2,877	1,164	-	1,164	301	-	301	405	-	405
Fuel, oil costs and emissions charges	3,237	-	3,237	3,679	-	3,679	1,202	-	1,202	548	-	548	460	-	460
Depreciation, amortisation and impairment	1,106	-	1,106	1,258	-	1,258	390	-	390	250	-	250	130	-	130
Other operating costs	4,497	-	4,497	5,110	-	5,110	2,392	-	2,392	1,116	-	1,116	854	-	854
Total expenditure on operations	11,952	583	11,369	13,596	672	12,924	5,148	-	5,148	2,215	-	2,215	1,849	-	1,849
Operating profit	1,338	(583)	1,921	1,510	(672)	2,182	497	-	497	240	-	240	276	-	276
Operating margin (%)	10.1 %		14.5 %	–		–	8.8 %		8.8 %	9.8 %		9.8 %	13.0 %		13.0 %

c Basic earnings per share before exceptional items and adjusted earnings per share (KPI)

Earnings are based on results before exceptional items after tax and adjusted for earnings attributable to equity holders and interest on convertible bonds, divided by the weighted average number of ordinary shares, adjusted for the dilutive impact of the assumed conversion of the bonds and employee share schemes outstanding. The effect of the assumed conversion of the IAG €500 million convertible bond 2022 and outstanding employee share schemes is antidilutive for the year to December 31, 2020, and therefore has not been included in the diluted earnings per share calculation.

€ million	Note	**2020**	2019[1]
(Loss)/profit after tax attributable to equity holders of the parent	b	**(6,923)**	1,715
Exceptional items	b	**(2,598)**	(672)
(Loss)/profit after tax attributable to equity holders of the parent before exceptional items		**(4,325)**	2,387
Interest expense on convertible bonds		**–**	26
Adjusted (loss)/earnings		**(4,325)**	2,413
Weighted average number of shares used for basic earnings per share[2]	10	**3,528**	3,056
Weighted average number of shares used for diluted earnings per share	10	**3,528**	3,137
Basic (loss)/earnings per share before exceptional items (€ cents)		**(122.6)**	78.1
Adjusted (loss)/earnings per share (€ cents)		**(122.6)**	76.9

1 Earnings per share information has been restated for the comparative period presented, by adjusting the weighted average number of shares to include the impact of the rights issue (note 27). The discount element inherent in the rights issue has been accounted for as a bonus issue of 1,071,565 thousand shares in 2019.

2 In 2020, includes 734,657 thousand shares as the weighted average impact for 2,979,443 thousand new ordinary shares issued through the rights issue (note 27).

d Airline non-fuel costs per ASK

The Group monitors airline unit costs (per ASK, a standard airline measure of capacity) as a means of tracking operating efficiency of the core airline business. As fuel costs can vary with commodity prices, the Group monitors fuel and non-fuel costs individually. Within non-fuel costs are the costs associated with generating Other revenue, which typically do not represent the costs of transporting passengers or cargo and instead represent the costs of handling and maintenance for other airlines, non-flight products in BA Holidays and costs associated with other miscellaneous non-flight revenue streams. Airline non-fuel costs per ASK is defined as total operating expenditure before exceptional items, less fuel, oil costs and emission charges and less non-flight specific costs divided by total available seat kilometres (ASKs), and is shown on a constant currency basis.

€ million	Note	**2020 Reported**	**ccy adjustment[1]**	**2020 ccy**	2019
Total expenditure on operations	b	15,232	(122)	15,110	22,893
Less: exceptional items within expenditure on operations	b	2,999		2,999	672
Less: fuel, oil costs and emission charges before exceptional items	b	2,041	(29)	2,012	6,021
Non-fuel costs		10,192	(93)	10,099	16,200
Less: Non-flight specific costs		851	1	852	1,654
Airline non-fuel costs		9,341	(94)	9,247	14,546
ASKs		113,195		113,195	337,754
Airline non-fuel unit costs per ASK (€ cents)		**8.25**		**8.17**	**4.31**

1 Refer to note h for the definition of the ccy adjustment

e Levered free cash flow (KPI)

Levered free cash flow represents the cash generated by the underlying businesses before shareholder returns and is defined as the net increase in cash and cash equivalents taken from the Cash flow statement, adjusting for movements in Current interest-bearing deposits, less the cash inflows from the rights issue and adding back the cash outflows associated with dividends paid and the acquisition of treasury shares. The Group believes that this measure is useful to the users of the financial statements in understanding the underlying cash generating ability of the Group that is available to return to shareholders, to improve leverage and/or to undertake inorganic growth opportunities.

€ million	**2020**	2019
Net Increase in cash and cash equivalents	**1,940**	85
Less: (Decrease)/increase in current interest-bearing deposits	**(2,366)**	103
Less: Net proceeds from rights issue	**(2,674)**	–
Add: Dividends paid	**53**	1,308
Levered free cash flow	**(3,047)**	1,496

f Net debt to EBITDA (KPI)

To supplement total borrowings as presented in accordance with IFRS, the Group reviews net debt to EBITDA to assess its level of net debt in comparison to the underlying earnings generated by the Group in order to evaluate the underlying business performance of the Group. This measure is used to monitor the Group's leverage and to assess financial headroom.

Net debt is defined as long-term borrowings (both current and non-current), less cash, cash equivalents and current interest-bearing deposits.

EBITDA is defined as operating profit before exceptional items, interest, taxation, depreciation, amortisation and impairment. The Group believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how the Group's financial capacity has changed over the year. It is a measure of the profitability of the Group and of the core operating cash flows generated by the business model.

€ million	Note	**2020**	2019
Interest-bearing long-term borrowings	23	**15,679**	14,254
Less: Cash and cash equivalents	19	**(5,774)**	(4,062)
Less: Current interest-bearing deposits	19	**(143)**	(2,621)
Net debt		**9,762**	7,571
Operating (loss)/profit	b	**(7,426)**	2,613
Add: Exceptional items	b	**3,061**	672
Add: Depreciation, amortisation and impairment	b	**2,099**	2,111
EBITDA		**(2,266)**	5,396
Net debt to EBITDA		**(4.3)**	1.4

g Return on invested capital (KPI)

The Group monitors return on invested capital (RoIC) as it gives an indication of the Group's capital efficiency relative to the capital invested as well as the ability to fund growth and to pay dividends. RoIC is defined as EBITDA, less fleet depreciation adjusted for inflation, depreciation of other property, plant and equipment, and amortisation of software intangibles, divided by average invested capital and is expressed as a percentage.

Invested capital is defined as the average of property, plant and equipment and software intangible assets over a 12-month period between the opening and closing net book values. The fleet aspect of property, plant and equipment is inflated over the average age of the fleet to approximate the replacement cost of the associated assets.

€ million	Note	2020	2019
EBITDA	f	**(2,266)**	5,396
Less: Fleet depreciation multiplied by inflation adjustment		**(1,921)**	(2,040)
Less: Other property, plant and equipment depreciation		**(258)**	(259)
Less: Software intangible amortisation		**(151)**	(131)
		(4,596)	2,966
Invested capital			
Average fleet value[2]	12	**16,020**	15,598
Less: average progress payments[3]	12	**(1,117)**	(1,297)
Fleet book value less progress payments		**14,903**	14,301
Inflation adjustment[1]		***1.18***	*1.19*
		17,520	17,065
Average net book value of other property, plant and equipment[4]	12	**2,329**	2,448
Average net book value of software intangible assets[5]	14	**652**	603
Total invested capital		**20,501**	20,116
Return on Invested Capital		**(22.4)%**	14.7 %

1 Presented to two decimal places and calculated using a 1.5 per cent inflation (December 31, 2019: 1.5 per cent inflation) rate over the weighted average age of the fleet December 31, 2020: 9.8 years (December 31, 2019: 11.9 years).
2 The average net book value of aircraft is calculated from an amount of €16,675 million at December 31, 2019 and €15,365 million at December 31, 2020.
3 The average net book value of progress payments is calculated from an amount of €1,525 million at December 31, 2019 and €710 million at December 31, 2020.
4 The average net book value of other property, plant and equipment is calculated from an amount of €2,493 million at December 31, 2019 and €2,166 million at December 31, 2020.
5 The average net book value of software intangible assets is calculated from an amount of €666 million at December 31, 2019 and €638 million at December 31, 2020.

h Results on a constant currency (ccy) basis

Movements in foreign exchange rates impact the Group's financial results. The Group reviews the results, including revenue and operating costs at constant rates of exchange (abbreviated to 'ccy'). The Group calculates these financial measures at constant rates of exchange based on a retranslation, at prior year exchange rates, of the current year's results of the Group. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group does believe that such results excluding the impact of currency fluctuations year-on-year provide additional useful information to investors regarding the Group's operating performance on a constant currency basis. Accordingly, the financial measures at constant currency within the discussion of the Group Financial review should be read in conjunction with the information provided in the Group financial statements.

The following table represents the main average and closing exchange rates for the reporting periods. Where 2020 figures are stated at a constant currency basis, they have applied the 2019 rates stated below:

Foreign exchange rates

	Average		Closing	
	2020	2019	**2020**	2019
Euro to pound sterling	**1.13**	1.13	**1.10**	1.18
US dollar to the euro	**1.13**	1.12	**1.22**	1.11
US dollar to pound sterling	**1.27**	1.27	**1.35**	1.31

Subsidiaries

British Airways

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Avios Group (AGL) Limited* Astral Towers, Betts Way, London Road, Crawley, West Sussex, RH10 9XY	Airline marketing	England	100%
BA and AA Holdings Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
BA Call Centre India Private Limited (callBA) F-42, East of Kailash, New-Delhi, 110065	Call centre	India	100%
BA Cityflyer Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%
BA European Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
BA Excepted Group Life Scheme Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Life insurance	England	100%
BA Healthcare Trust Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Healthcare	England	100%
BA Holdco Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
BA Number One Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
BA Number Two Limited IFC 5, St Helier, JE1 1ST	Dormant	Jersey	100%
Bealine Plc Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
BritAir Holdings Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
British Airways (BA) Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
British Airways 777 Leasing Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100%
British Airways Associated Companies Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
British Airways Avionic Engineering Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
British Airways Capital Limited Queensway House, Hilgrove Street, St Helier, JE1 1ES	Aircraft financing	Jersey	100%
British Airways Holdings B.V. Strawinskylaan 3105, Atrium, Amsterdam, 1077ZX	Holding company	Netherlands	100%
British Airways Holidays Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Tour operator	England	100%
British Airways Interior Engineering Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
British Airways Leasing Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100%
British Airways Maintenance Cardiff Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
British Airways Pension Trustees (No 2) Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Trustee company	England	100%
British Midland Airways Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Former airline	England	100%
British Midland Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
Diamond Insurance Company Limited 1st Floor, Rose House, 51-59 Circular Road, Douglas, IM1 1RE	Dormant	Isle of Man	100%
Flyline Tele Sales & Services GmbH Hermann Koehl-Strasse 3, 28199, Bremen	Call centre	Germany	100%
Gatwick Ground Services Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Ground services	England	100%
Overseas Air Travel Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Transport	England	100%
Speedbird Insurance Company Limited* Canon's Court, 22 Victoria Street, Hamilton, HM 12	Insurance	Bermuda	100%
British Mediterranean Airways Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Former airline	England	99%

Iberia

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Compañía Explotación Aviones Cargueros Cargosur, S.A. Calle Martínez Villergas 49, Madrid, 28027	Cargo transport	Spain	100%
Compañía Operadora de Corto y Medio Radio Iberia Express, S.A.* Calle Alcañiz 23, Madrid, 28006	Airline operations	Spain	100%
Iberia Líneas Aéreas de España, S.A. Operadora* Calle Martínez Villergas 49, Madrid, 28027	Airline operations and maintenance	Spain	100%[1]
Iberia México, S.A.* Ejército Nacional 439, Mexico City, 11510	Storage and custody services	Mexico	100%
Iberia Operadora UK Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
Iberia Tecnología, S.A.* Calle Martínez Villergas 49, Madrid, 28027	Aircraft maintenance	Spain	100%
Auxiliar Logística Aeroportuaria, S.A.* Centro de Carga Aérea, Parcela 2 P5, Nave 6, Madrid, 28042	Airport logistics and cargo terminal management	Spain	75%
Compañía Auxiliar al Cargo Exprés, S.A.* Centro de Carga Aérea, Parcela 2 P5, Nave 6, Madrid, 28042	Cargo transport	Spain	75%
Iberia Desarrollo Barcelona, S.L.* Avenida de les Garrigues 38-44, Edificio B, El Prat de Llobregat, Barcelona, 08220	Airport infrastructure development	Spain	75%

Aer Lingus

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Aer Lingus (Ireland) Limited Dublin Airport, Dublin	Provision of human resources support to fellow group companies	Republic of Ireland	100%
Aer Lingus 2009 DCS Trustee Limited Dublin Airport, Dublin	Dormant	Republic of Ireland	100%
Aer Lingus Beachey Limited Penthouse Suite, Analyst House, Peel Road, IM1 4LZ	Dormant	Isle of Man	100%
Aer Lingus Group DAC* Dublin Airport, Dublin	Holding company	Republic of Ireland	100%[2]
Aer Lingus Limited* Dublin Airport, Dublin	Airline operations	Republic of Ireland	100%
Aer Lingus (UK) Limited Aer Lingus Base, Belfast City Airport, Sydenham Bypass, Belfast, Co. Antrim, BT3 9JH	Dormant	Northern Ireland	100%
ALG Trustee Limited 33-37 Athol Street, Douglas, IM1 1LB	Trustee	Isle of Man	100%
Dirnan Insurance Company Limited Canon's Court, 22 Victoria Street, Hamilton, Bermuda, HM 12	Insurance	Bermuda	100%
Santain Developments Limited Dublin Airport, Dublin	Dormant	Republic of Ireland	100%

IAG Loyalty

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Avios South Africa Proprietary Limited Block C, 1 Marignane Drive, Bonaero Park, Gauteng, 1619	Dormant	South Africa	100%
IAG Loyalty Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%

IAG Cargo

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Routestack Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Shipping solutions	England	100%
Zenda Group Limited Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, Middlesex, TW6 2JS	Shipping solutions	England	100%

Vueling

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Yellow Handling, S.L.U Plaça Pla de l'Estany 5, Parque de Negocios Mas Blau II, El Prat de Llobregat, Barcelona, 08820	Ground handling services	Spain	100%
Vueling Airlines, S.A.* Plaça Pla de l'Estany 5, Parque de Negocios Mas Blau II, El Prat de Llobregat, Barcelona, 08820	Airline operations	Spain	99.5%

LEVEL

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
FLYLEVEL UK Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%
Openskies SASU 3 Rue le Corbusier, Rungis, 94150	Airline operations	France	100%

International Consolidated Airlines Group, S.A.

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
AERL Holding Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
British Airways Plc* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%[3]
FLY LEVEL, S.L. Camino de la Muñoza s/n, El Caserío, Iberia Zona Industrial 2, Madrid, 28042	Airline operations	Spain	100%
IAG Cargo Limited* Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, TW6 2JS	Air freight operations	England	100%
IAG Connect Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Inflight eCommerce platform	Republic of Ireland	100%
IAG GBS Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	IT, finance, procurement services	England	100%
IAG GBS Poland sp z.o.o.* Ul. Opolska 114, Krakow, 31-323	IT, finance, procurement services	Poland	100%
IB Opco Holding, S.L. Calle Martínez Villergas 49, Madrid, 28027	Holding company	Spain	100%[1]
Veloz Holdco, S.L. Plaça Pla de l'Estany 5, Parque de Negocios Mas Blau II, El Prat de Llobregat, Barcelona, 08820	Holding company	Spain	100%

* Principal subsidiaries

1 The Group holds 49.9% of both the total nominal share capital and the total number of voting rights in IB Opco Holding, S.L. (and thus, indirectly, in Iberia Líneas Aéreas de España, S.A. Operadora), such stake having almost 100% of the economic rights in these companies. The remaining shares, representing 50.1% of the total nominal share capital and the total number of voting rights belong to a Spanish company incorporated for the purposes of implementing the Iberia nationality structure.

2 The Group holds 49.75% of the total number of voting rights and the majority of the economic rights in Aer Lingus Group DAC. The remaining voting rights, representing 50.25 per cent, correspond to a trust established for implementing the Aer Lingus nationality structure.

3 The Group holds 49.9% of the total number of voting rights and 99.65% of the total nominal share capital in British Airways Plc, such stake having almost 100% of the economic rights. The remaining nominal share capital and voting rights, representing 0.35% and 50.1% respectively, are held by a trust established for the purposes of implementing the British Airways nationality structure.

Associates

Name and address	Country of incorporation	Percentage of equity owned
Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A. Avenida de Vantroi y Final, Jose Martí Airport, Havana	Cuba	50%
Empresa Logística de Carga Aérea, S.A. Carretera de Wajay km 15, Jose Martí Airport, Havana	Cuba	50%
Multiservicios Aeroportuarios, S.A. Avenida de Manoteras 46, 2ª planta, Madrid, 28050	Spain	49%
Dunwoody Airline Services Limited Building 70, Argosy Road, East Midlands Airport, Castle Donnington, Derby, DE74 2SA	England	40%
Serpista, S.A. Calle Cardenal Marcelo Spínola 10, Madrid, 28016	Spain	39%
Air Miles España, S.A. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	26.7%
Inloyalty by Travel Club, S.L.U. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	26.7%
Viajes Ame, S.A. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	26.7%
DeepAir Solutions Limited Ground Floor North, 86 Brook Street, London, W1K 5AY	England	24.75%

Joint ventures

Name and address	Country of incorporation	Percentage of equity owned
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. Calle de O'Donnell 12, Madrid, 28009	Spain	50.5%

Other equity investments

The Group's principal other equity investments are as follows:

Name and address	Country of Incorporation	Percentage of equity owned	Currency	Shareholder's funds (million)	Profit/(loss) before tax (million)
Servicios de Instrucción de Vuelo, S.L. Camino de la Muñoza s/n, El Caserío, Iberia Zona Industrial 2, Madrid, 28042	Spain	19.9%	EUR	(71)	(10)
The Airline Group Limited 5th Floor, Brettenham House South, Lancaster Place, London, WC2N 7EN	England	16.68%	GBP	287	25
Importwise Limited International House, 12 Constance Street, London, E16 2DQ	England	14.8%	GBP	52	19
Comair Limited 1 Marignane Drive, Bonaero Park, Johannesburg, 1619	South Africa	11.49%	ZAR	760	(2,091)
Travel Quinto Centenario, S.A. Calle Alemanes 3, Sevilla, 41004	Spain	10%	EUR	n/a	n/a
i6 Group Limited Farnborough Airport, Ively Road, Farnborough, Hampshire, GU14 6XA	England	7.42%	GBP	6	(1)
Monese Limited 1 King Street, London, EC2V 8AU	England	6.45%	GBP	(16)	(29)

LIABILITY STATEMENT OF DIRECTORS FOR THE PURPOSES ENVISAGED UNDER ARTICLE 11.1.b OF SPANISH ROYAL DECREE 1362/2007 OF 19 OCTOBER (REAL DECRETO 1362/2007).

At a meeting held on February 25, 2021, the directors of International Consolidated Airlines Group, S.A. state that, to the best of their knowledge, the consolidated financial statements for the year to December 31, 2020 prepared in accordance with the applicable international accounting standards, offer a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the interim consolidated management report includes a fair review of the required information.

February 25, 2021

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Giles Agutter

Peggy Bruzelius

Eva Castillo Sanz

Margaret Ewing

Heather Ann McSharry

Robin Phillips

Emilio Saracho Rodríguez de Torres

Lucy Nicola Shaw

Alberto Terol Esteban

AIRCRAFT FLEET

	Owned	Right of use	Total December 31, 2020	Total December 31, 2019	Changes since December 31, 2019	Future deliveries	Options
Airbus A318	–	–	–	1	(1)	–	–
Airbus A319	13	36	49	57	(8)	–	–
Airbus A320	60	172	232	254	(22)	26	76
Airbus A321	19	53	72	66	6	38	14
Airbus A330-200	2	17	19	24	(5)	–	–
Airbus A330-300	4	14	18	16	2	1	–
Airbus A340-600	–	–	–	15	(15)	–	–
Airbus A350	10	7	17	9	8	26	52
Airbus A380	2	10	12	12	–	–	–
Boeing 747-400	–	–	–	32	(32)	–	–
Boeing 777-200	36	7	43	46	(3)	–	–
Boeing 777-300	2	14	16	12	4	–	–
Boeing 777-9	–	–	–	–	–	18	24
Boeing 787-8	–	12	12	12	–	–	–
Boeing 787-9	1	17	18	18	–	–	–
Boeing 787-10	2	–	2	–	2	10	–
Embraer E170	1	–	1	6	(5)	–	–
Embraer E190	9	13	22	18	4	2	–
Group total	161	372	533	598	(65)	121	166

During 2020 the Group recorded impairments for 84 aircraft, of which 63 were still held by the Group at December 31, 2020. The Group also held 9 other aircraft not in service, pending disposal.